UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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

For the transition period from to

Commission File Number: 1-06620

GRIFFON CORPORATION

(Exact name of registrant as specified in its charter)

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

(212) 957-5000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 ☐		Smaller reporting company	☐
(Do not check if a smaller reporting company)			

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

The number of shares of common stock outstanding at **March 31, 2016** was 46,594,741.

Griffon Corporation and Subsidiaries

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Part I – Financial Information
Item 1 – Financial Statements

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

	(Unaudited) March 31, 2016	September 30, 2015
CURRENT ASSETS		
Cash and equivalents	$ 54,282	$ 52,001
Accounts receivable, net of allowances of $6,311 and $5,342	261,161	218,755
Contract costs and recognized income not yet billed, net of progress payments of $15,273 and $16,467	108,480	103,895
Inventories, net	311,567	325,809
Prepaid and other current assets	53,022	55,086
Assets of discontinued operations	1,325	1,316
Total Current Assets	789,837	756,862
PROPERTY, PLANT AND EQUIPMENT, net	386,109	379,972
GOODWILL	360,094	356,241
INTANGIBLE ASSETS, net	214,733	213,837
OTHER ASSETS	25,482	22,346
ASSETS OF DISCONTINUED OPERATIONS	2,259	2,175
Total Assets	$ 1,778,514	$ 1,731,433
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	$ 19,217	$ 16,593
Accounts payable	161,737	199,811
Accrued liabilities	98,889	104,997
Liabilities of discontinued operations	1,924	2,229
Total Current Liabilities	281,767	323,630
LONG-TERM DEBT, net	922,563	826,976
OTHER LIABILITIES	145,583	146,923
LIABILITIES OF DISCONTINUED OPERATIONS	3,220	3,379
Total Liabilities	1,353,133	1,300,908
COMMITMENTS AND CONTINGENCIES - See Note 18		
SHAREHOLDERS' EQUITY		
Total Shareholders' Equity	425,381	430,525
Total Liabilities and Shareholders' Equity	$ 1,778,514	$ 1,731,433

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

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

	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE		TREASURY SHARES				
(in thousands)	SHARES	PAR VALUE		RETAINED EARNINGS	SHARES	COST	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	Total
Balance at September 30, 2015	79,080	$ 19,770	$ 518,485	$ 454,548	30,737	$(436,559)	$ (91,188)	$ (34,531)	$ 430,525
Net income	—	—	—	14,691	—	—	—	—	14,691
Dividend	—	—	—	(4,508)	—	—	—	—	(4,508)
Tax effect from exercise/vesting of equity awards, net	—	—	2,291	—	—	—	—	—	2,291
Amortization of deferred compensation	—	—	—	—	—	—	—	1,400	1,400
Common stock acquired	—	—	—	—	2,138	(33,640)	—	—	(33,640)
Equity awards granted, net	990	247	(247)	—	—	—	—	—	—
ESOP allocation of common stock	—	—	625	—	—	—	—	—	625
Stock-based compensation	—	—	5,555	—	—	—	—	—	5,555
Other comprehensive income, net of tax	—	—	—	—	—	—	8,442	—	8,442
Balance at March 31, 2016	80,070	$ 20,017	$ 526,709	$ 464,731	32,875	$(470,199)	$ (82,746)	$ (33,131)	$ 425,381

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
Revenue	$ 500,107	$ 500,020	$ 994,256	$ 1,002,180
Cost of goods and services	385,950	385,645	763,994	769,816
Gross profit	114,157	114,375	230,262	232,364
Selling, general and administrative expenses	91,586	93,566	182,885	187,462
Income from operations	22,571	20,809	47,377	44,902
Other income (expense)				
Interest expense	(12,392)	(12,012)	(24,415)	(23,766)
Interest income	44	155	55	272
Other, net	(385)	(757)	170	(1,208)
Total other expense, net	(12,733)	(12,614)	(24,190)	(24,702)
Income before taxes	9,838	8,195	23,187	20,200
Provision for income taxes	3,743	3,073	8,496	7,607
Net income	$ 6,095	$ 5,122	$ 14,691	$ 12,593
Basic income per common share	$ 0.15	$ 0.11	$ 0.35	$ 0.27
Weighted-average shares outstanding	41,426	45,349	41,697	45,829
Diluted income per common share	$ 0.14	$ 0.11	$ 0.33	$ 0.26
Weighted-average shares outstanding	43,891	47,669	44,727	47,682
Dividends paid per common share	$ 0.05	$ 0.04	$ 0.10	$ 0.08
Net income	$ 6,095	$ 5,122	$ 14,691	$ 12,593
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	13,683	(30,384)	10,334	(45,884)
Pension and other post retirement plans	386	353	772	706
Change in cash flow hedges	(1,649)	(80)	(2,664)	(154)
Change in available-for-sale securities	—	92	—	(870)
Total other comprehensive income (loss), net of taxes	12,420	(30,019)	8,442	(46,202)
Comprehensive income (loss), net	$ 18,515	$ (24,897)	$ 23,133	$ (33,609)

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

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

	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,691	$ 12,593
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	34,202	34,453
Stock-based compensation	5,555	5,372
Provision for losses on accounts receivable	(13)	242
Amortization of debt discounts and issuance costs	3,384	3,265
Deferred income taxes	1,537	1,282
Gain on sale of assets and investments	(255)	(315)
Change in assets and liabilities, net of assets and liabilities acquired:		
Increase in accounts receivable and contract costs and recognized income not yet billed	(43,751)	(23,424)
Decrease (increase) in inventories	17,617	(39,252)
Decrease in prepaid and other assets	2,220	754
Decrease in accounts payable, accrued liabilities and income taxes payable	(42,632)	(40,244)
Other changes, net	2,037	2,223
Net cash used in operating activities	(5,408)	(43,051)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(45,952)	(39,713)
Acquired businesses, net of cash acquired	(4,470)	—
Proceeds from sale of assets	868	177
Investment sales	715	8,891
Net cash used in investing activities	(48,839)	(30,645)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	—	285
Dividends paid	(4,508)	(3,911)
Purchase of shares for treasury	(33,640)	(37,577)
Proceeds from long-term debt	139,604	99,556
Payments of long-term debt	(46,323)	(29,425)
Change in short-term borrowings	(191)	(572)
Financing costs	(1,120)	(590)
Tax benefit from exercise/vesting of equity awards, net	2,291	345
Other, net	208	95
Net cash provided by financing activities	56,321	28,206
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash used in operating activities	(578)	(545)
Net cash used in discontinued operations	(578)	(545)
Effect of exchange rate changes on cash and equivalents	785	(3,768)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	2,281	(49,803)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	52,001	92,405
CASH AND EQUIVALENTS AT END OF PERIOD	$ 54,282	$ 42,602

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

GRIFFON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars and non US currencies in thousands, except per share data)

(Unaudited)

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

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

About Griffon Corporation

Griffon Corporation (the "Company" or "Griffon") is a diversified management and holding company that conducts business through wholly-owned subsidiaries. Griffon oversees the operations of its subsidiaries, allocates resources among them and manages their capital structures. Griffon provides direction and assistance to its subsidiaries in connection with acquisition and growth opportunities as well as in connection with divestitures. 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"):
  - AMES is a global provider of non-powered landscaping products for homeowners and professionals.
  - CBP is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional dealers and major home center retail chains.
- Telephonics Corporation ("Telephonics") designs, develops and manufactures high-technology integrated information, communication and sensor system solutions for military and commercial markets worldwide.
- Clopay Plastic Products Company, Inc. ("PPC") is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial applications.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all the information and footnotes required by U.S. GAAP for complete financial statements. As such, they should be read with reference to Griffon's Annual Report on Form 10-K for the year ended September 30, 2015, which provides a more complete explanation of Griffon's accounting policies, financial position, operating results, business properties and other matters. In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. Griffon's HBP operations are seasonal; for this and other reasons, the financial results of the Company for any interim period are not necessarily indicative of the results for the full year.

The condensed consolidated balance sheet information at September 30, 2015 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2015.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. These estimates may be adjusted due to changes in economic, industry or customer financial conditions, as well as changes in technology or demand. Significant estimates include allowances for doubtful accounts receivable and returns, net realizable value of inventories, restructuring reserves, valuation of goodwill and intangible assets, percentage of completion method of accounting, pension assumptions, useful lives associated with depreciation and amortization of intangible and fixed assets, warranty reserves, sales incentive accruals, stock based compensation assumptions, income taxes and tax valuation reserves, environmental reserves, legal reserves, insurance reserves and the valuation of assets and liabilities of discontinued operations, acquisition assumptions used and the accompanying disclosures. These estimates are based on management's best knowledge of current events and actions Griffon may undertake in the future. Actual results may ultimately differ from these estimates.

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

NOTE 2 – FAIR VALUE MEASUREMENTS

The carrying values of cash and equivalents, accounts receivable, accounts and notes payable, and revolving credit and variable interest rate 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 and variable rate debt is based upon current market rates.

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

- Level 1 inputs are measured and recorded at fair value based upon quoted prices in active markets for identical assets.
- Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair values of Griffon's 2022 senior notes and 2017 4% convertible notes approximated $588,000 and $115,375, respectively, on March 31, 2016. Fair values were based upon quoted market prices (level 1 inputs).

Insurance contracts with values of $2,935 at March 31, 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 Prepaid and other current assets on the Consolidated Balance Sheets.

Items Measured at Fair Value on a Recurring Basis

At March 31, 2016, trading securities, measured at fair value based on quoted prices in active markets for similar assets (level 2 inputs), with a fair value of $1,200 ($1,000 cost basis) were included in Prepaid and other current assets on the Consolidated Balance Sheets. During the first quarter of 2016, the Company settled trading securities with proceeds totaling $715 and recognized a loss of $13 in Other income (expense). During the second quarter of the prior year, the Company settled all outstanding available-for-sale securities with proceeds totaling $8,891 and recognized a gain of $489 in Other income (expense) 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, Griffon entered into several such contracts in order to lock into a foreign currency rate for planned settlements of trade and inter-company liabilities payable in US dollars.

At March 31, 2016, Griffon had $33,000 of Australian dollar contracts at a weighted average rate of $1.30, 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 AOCI and Prepaid and other current assets, or Accrued liabilities, until settlement. Upon settlement, gains and losses are recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services ("COGS"). AOCI included deferred losses of $2,714 ($1,981, net of tax) at March 31, 2016 and gains of $181 and $585 were recorded in COGS during the quarter and six months ended March 31, 2016, respectively, for all settled contracts. All contracts expire in 28 to 270 days.

At March 31, 2016, Griffon had $4,615 of Canadian dollar contracts at a weighted average rate of $1.30. The contracts, which protect Canada operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting. For the quarter and six months ended March 31, 2016, a fair value loss of $385 and $284 were recorded to Other liabilities and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs). All contracts expire in 15 to 180 days.

NOTE 3 – ACQUISITIONS AND INVESTMENTS

On February 14, 2016, AMES Australia acquired substantially all of the Intellectual Property (IP) assets of Australia-based Nylex Plastics Pty Ltd. for approximately $1,700. 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.

NOTE 4 – INVENTORIES

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

The following table details the components of inventory:

	At March 31, 2016	At September 30, 2015
Raw materials and supplies	$ 83,854	$ 91,973
Work in process	66,862	70,811
Finished goods	160,851	163,025
Total	$ 311,567	$ 325,809

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

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

	At March 31, 2016	At September 30, 2015
Land, building and building improvements	$ 131,200	$ 131,546
Machinery and equipment	782,300	747,194
Leasehold improvements	46,610	47,465
	960,110	926,205
Accumulated depreciation and amortization	(574,001)	(546,233)
Total	$ 386,109	$ 379,972

Depreciation and amortization expense for property, plant and equipment was $15,248 and $15,279 for the quarters ended March 31, 2016 and 2015, respectively, and $30,457 and $30,558 for the six months ended March 31, 2016 and 2015, respectively. Depreciation included in SG&A expenses was $3,250 and $3,262 for the quarters ended March 31, 2016 and 2015, respectively, and $6,408 and $6,432 for the six months ended March 31, 2016 and 2015, respectively. Remaining components of depreciation, attributable to manufacturing operations, are included in Cost of goods and services.

No event or indicator of impairment occurred during the six months ended March 31, 2016, which would require additional impairment testing of property, plant and equipment.

NOTE 6 – GOODWILL AND OTHER INTANGIBLES

The following table provides changes in the carrying value of goodwill by segment during the six months ended March 31, 2016:

	At September 30, 2015	Other adjustments including currency translations	At March 31, 2016
Home & Building Products	$ 285,825	$ 1,774	$ 287,599
Telephonics	18,545	—	18,545
PPC	51,871	2,079	53,950
Total	$ 356,241	$ 3,853	$ 360,094

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

	At March 31, 2016			At September 30, 2015	
	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 171,123	$ 43,882	25	$ 168,560	$ 39,755
Unpatented technology	6,195	3,864	12.5	6,107	3,525
Total amortizable intangible assets	177,318	47,746		174,667	43,280
Trademarks	85,161	—		82,450	—
Total intangible assets	$ 262,479	$ 47,746		$ 257,117	$ 43,280

Amortization expense for intangible assets was $1,870 and $1,914 for the quarters ended March 31, 2016 and 2015, respectively and $3,745 and $3,895 for the six months ended March 31, 2016 and 2015, respectively.

No event or indicator of impairment occurred during the six months ended March 31, 2016 which would require impairment testing of long-lived intangible assets including goodwill.

NOTE 7 – INCOME TAXES

In both the quarter and six months ended March 31, 2016 and 2015, the Company reported pretax income, and recognized tax provisions of 38.0% and 36.6% for the quarter and six months ended March 31, 2016, respectively, compared to 37.5% and 37.7%, respectively, in the comparable prior year periods.

The six months ended March 31, 2016 included a $356 discrete tax benefit primarily resulting from the retroactive extension of the federal R&D credit signed into law December 18, 2015. The current quarter ended March 31, 2016 included a de minimis discrete tax provision. The comparable prior year second quarter and six months ended March 31, 2015 included discrete tax provisions of $145 and $494, respectively, primarily resulting from taxes on repatriation of foreign earnings, partially offset by the benefit of the retroactive extension of the federal R&D credit signed into law December 19, 2014 and release of a valuation allowance. Excluding discrete items, the effective tax rates for the quarter and six months ended March 31, 2016 were 37.6% and 38.2%, respectively, compared to 35.7% and 35.2%, respectively, in the comparable prior year periods.

NOTE 8 – LONG-TERM DEBT

		At March 31, 2016					At September 30, 2015				
		Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate (1)	Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate (1)
Senior notes due 2022	(a)	$ 600,000	$ —	$ (7,620)	$592,380	5.25%	$ 600,000	$ —	$ (8,264)	$591,736	5.25%
Revolver due 2021	(b)	122,500	—	(2,699)	119,801	n/a	35,000	—	(2,049)	32,951	n/a
Convert. debt due 2017	(c)	100,000	(3,468)	(369)	96,163	4.00%	100,000	(5,594)	(571)	93,835	4.00%
Real estate mortgages	(d)	39,204	—	(648)	38,556	n/a	32,280	—	(470)	31,810	n/a
ESOP Loans	(e)	35,643	—	(189)	35,454	n/a	36,744	—	(224)	36,520	n/a
Capital lease - real estate	(f)	6,993	—	(143)	6,850	5.00%	7,524	—	(156)	7,368	5.00%
Non U.S. lines of credit	(g)	11,465	—	(9)	11,456	n/a	8,934	—	(3)	8,931	n/a
Non U.S. term loans	(g)	37,681	—	(243)	37,438	n/a	39,142	—	(299)	38,843	n/a
Other long term debt	(h)	3,706	—	(24)	3,682	n/a	1,575	—	—	1,575	n/a
Totals		957,192	(3,468)	(11,944)	941,780		861,199	(5,594)	(12,036)	843,569	
less: Current portion		(19,217)	—	—	(19,217)		(16,593)	—	—	(16,593)	
Long-term debt		$ 937,975	$ (3,468)	$(11,944)	$922,563		$ 844,606	$(5,594)	$(12,036)	$826,976	

		Three Months Ended March 31, 2016					Three Months Ended March 31, 2015				
		Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.5%	7,875	—	323	8,198	5.5%	7,875	—	322	8,197
Revolver due 2021	(b)	n/a	954	—	122	1,076	n/a	659	—	133	792
Convert. debt due 2017	(c)	9.2%	1,000	1,079	111	2,190	9.1%	1,000	990	110	2,100
Real estate mortgages	(d)	2.2%	154	—	17	171	3.8%	116	—	36	152
ESOP Loans	(e)	3.3%	275	—	17	292	2.9%	254	—	18	272
Capital lease - real estate	(f)	5.4%	90	—	7	97	5.3%	102	—	6	108
Non U.S. lines of credit	(g)	n/a	97	—	22	119	n/a	109	—	—	109
Non U.S. term loans	(g)	n/a	272	—	13	285	n/a	337	—	14	351
Other long term debt	(h)	n/a	79	—	—	79	n/a	22	—	2	24
Capitalized interest			(118)	—	3	(115)		(93)	—	—	(93)
Totals			$ 10,678	$ 1,079	$ 635	$ 12,392		$ 10,381	$ 990	$ 641	$ 12,012

(1) n/a = not applicable

		Six Months Ended March 31, 2016					Six Months Ended March 31, 2015				
		Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.5%	15,750	—	645	16,395	5.5%	15,750	—	644	16,394
Revolver due 2021	(b)	n/a	1,525	—	237	1,762	n/a	997	—	291	1,288
Convert. debt due 2017	(c)	9.0%	2,000	2,127	222	4,349	9.2%	2,000	1,952	221	4,173
Real estate mortgages	(d)	2.1%	305	—	29	334	3.8%	240	—	72	312
ESOP Loans	(e)	3.1%	531	—	35	566	2.9%	514	—	35	549
Capital lease - real estate	(f)	5.4%	183	—	13	196	5.3%	208	—	12	220
Non U.S. lines of credit	(g)	n/a	356	—	46	402	n/a	250	—	—	250
Non U.S. term loans	(g)	n/a	556	—	26	582	n/a	725	—	30	755
Other long term debt	(h)	n/a	98	—	—	98	n/a	53	—	8	61
Capitalized interest			(274)	—	5	(269)		(236)	—	—	(236)
Totals			$ 21,030	$ 2,127	$ 1,258	$ 24,415		$ 20,501	$ 1,952	$ 1,313	$ 23,766

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

The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and subject to certain covenants, limitations and restrictions. On June 18, 2014, Griffon exchanged all of the Senior Notes for substantially identical Senior Notes registered under the Securities Act of 1933 via an exchange offer. The fair value of the Senior Notes approximated $588,000 on March 31, 2016 based upon quoted market prices (level 1 inputs).

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

(b)On March 22, 2016, Griffon amended its Revolving Credit Facility (the "Credit Agreement") to increase the maximum 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. 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 in lieu of a swing line sub-facility. Borrowings under the Credit Agreement may be repaid and re-borrowed at any time, subject to final maturity of the facility or the occurrence 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 (e) below). At March 31, 2016, outstanding borrowings and standby letters of credit were $122,500 and $15,922, respectively, under the Credit Agreement; $211,578 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"). The current conversion rate of the 2017 Notes is 70.1631 shares of Griffon's common stock per $1 principal amount of notes, corresponding to a conversion price of $14.25 per share. Prior to July 15, 2016, if for at least 20 trading days out of the last 30 trading days during any fiscal quarter the closing price of Griffon's common stock is 130% or greater than the conversion price on each such trading day, then at any time during the immediately subsequent fiscal quarter any holder has the option to convert such holder's note (and the Company is required to notify the trustee under the notes, and the holders of the notes, that this condition to conversion has been met). At any time on or after July 15, 2016, any holder has the option to convert such holder's notes; Griffon has the right to settle the conversion of the 2017 Notes in cash, stock or a combination of cash and stock. Griffon has the intent and ability to settle the principal components of any conversion of notes in cash. When a cash dividend is declared that would result in an adjustment to the conversion ratio of less than 1%, any adjustment to the conversion ratio is deferred until the first to occur of (i) actual conversion; (ii) the 42nd trading day prior to maturity of the notes; and (iii) such time as the cumulative adjustment equals or exceeds 1%. At both March 31, 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 $115,375 on March 31, 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.

(d)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 March 31, 2016, $38,556 was outstanding, net of issuance costs.

(e)In December 2013, Griffon's ESOP entered into an agreement that refinanced the two existing ESOP loans into one new Term Loan in the amount of $21,098 (the "Agreement"). The Agreement also provided for a Line Note with $10,000 available to purchase shares of Griffon common stock in the open market. In July 2014, Griffon's ESOP entered into an amendment to the existing Agreement which provided an additional $10,000 Line Note available to purchase shares in the open market. During 2014, the Line Notes were combined with the Term Loan to form one new Term Loan. The Term Loan bears interest at LIBOR plus 2.38% or the lender's prime rate, at Griffon's option. The Term Loan requires quarterly principal payments of $551, with a balloon payment of approximately $30,137 due at maturity on December 31, 2018. During 2014, 1,591,117 shares of Griffon common stock, for a total of $20,000 or $12.57 per share, were purchased with proceeds from the Line Notes. As of March 31, 2016, $35,454, net of issuance costs, was outstanding under the Term Loan. 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.

(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. At March 31, 2016, $6,850 was outstanding, net of issuance costs.

(g) In September 2015, Clopay Europe GmbH ("Clopay Europe") entered into a EUR 5,000 ($5,678 as of March 31, 2016) revolving credit facility and 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 2016, 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 March 31, 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 has an outstanding balance of EUR 12,500 ($14,006 at March 31, 2016, net of issuance costs) and the revolver had no borrowings outstanding at March 31, 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 Brazil maintains lines of credit of R$12,800 ($3,597 as of March 31, 2016). Interest on borrowings accrues at a rate of Brazilian CDI plus 6.0% (20.13% at March 31, 2016). At March 31, 2016 there was approximately R$6,911($1,942 as of March 31, 2016) borrowed under the lines. PPC guarantees the loan and lines.

In November 2012, Garant G.P. ("Garant") entered into a CAD $15,000 ($11,567 as of March 31, 2016) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (1.93% LIBOR USD and 2.16% Bankers Acceptance Rate CDN as of March 31, 2016). The revolving facility matures in October 2016. This facility is classified as long term debt as Griffon has the intent and ability to refinance the borrowings. Garant is required to maintain a certain minimum equity. At March 31, 2016, there was CAD $8,371 ($6,455 as of March 31, 2016) borrowed under the revolving credit facility with CAD $6,629 ($5,112 as of March 31, 2016) available for borrowing.

In December 2013 and May 2014, Griffon Australia Holdings Pty Ltd (formerly known as Northcote Holdings Australia Pty Ltd) entered into two unsecured term loans in the outstanding amounts of AUD 12,500 and AUD 20,000, respectively. The AUD 12,500 term loan requires quarterly interest payments with principal due upon maturity in December 2016. This loan is classified as long term debt as Griffon has the intent and ability to refinance the principal amount. The AUD 20,000 term loan requires quarterly principal payments of AUD 625, with a balloon payment due upon maturity in May 2017. The loans accrue interest at Bank Bill Swap Bid Rate "BBSY" plus 2.8% per annum (5.09% at March 31, 2016 for each loan). As of March 31, 2016, Griffon had an outstanding combined balance of AUD $30,555 ($23,432 as of March 31, 2016) on the term loans, net of issuance costs.

A subsidiary of Northcote Holdings Pty Ltd also maintains a line of credit of AUD 5,000 ($3,835 as of March 31, 2016), which accrues interest at BBSY plus 2.50% per annum (4.79% at March 31, 2016). At March 31, 2016, there were AUD 4,000 ($3,068 as of March 31, 2016) under the lines. The assets of a subsidiary of Northcote Holdings Pty Ltd secures the AUD 5,000 line of credit.

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

At March 31, 2016, Griffon and its subsidiaries were in compliance with the terms and covenants of all credit and loan agreements.

NOTE 9 — SHAREHOLDERS' EQUITY

During 2016, the Company paid a quarterly cash dividend of $0.05 per share in each quarter, totaling $0.10 per share for the six months ended March 31, 2016. During 2015, the Company paid quarterly cash dividends of $0.04 per share, totaling $0.16 per share for the year. Dividends paid on allocated shares in the ESOP were used to pay down the ESOP loan and recorded as a reduction of debt service payments and compensation expense. A dividend payable was established for the holders of restricted shares; such dividends will be released upon vesting of the underlying restricted shares.

On May 4, 2016 the Board of Directors declared a quarterly cash dividend of $0.05 per share, payable on June 23, 2016 to shareholders of record as of the close of business on May 27, 2016.

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

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 March 31, 2016, 1,795,603 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.

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 total fair value of these restricted shares is approximately $4,247, or a weighted average fair value of $7.02.

For the quarters ended March 31, 2016 and 2015, stock based compensation expense totaled $2,489 and $2,795, respectively. For the six months ended March 31, 2016 and 2015, stock based compensation expense totaled $5,555 and $5,372, respectively.

During the quarter and six months ended March 31, 2016, 1,683 shares, with a market value of $25 or $14.85 per share, and 188,222 shares, with a market value of $3,577 or $19.00 per share, respectively, were withheld to settle employee taxes due to the vesting of restricted stock, and were added to treasury.

On each of March 20, 2015 and July 29, 2015, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under these share repurchase programs, the Company may purchase shares in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. During the quarter ended March 31, 2016, Griffon purchased 1,516,919 shares of common stock under both the March 2015 and July 2015 programs, for a total of $22,705 or $14.97 per share. During the six months ended March 31, 2016, Griffon purchased 1,949,338 shares of common stock under both the

March 2015 and July 2015 programs, for a total of $29,935 or $15.36 per share. As of March 31, 2016, $27,990 remains under the July 2015 Board authorization.

From August 2011 to March 31, 2016, Griffon repurchased 14,256,115 shares of common stock, for a total of $183,067 or $12.84 per share, under Board authorized repurchase programs.

In addition to repurchases under Board authorized programs, on December 10, 2013, Griffon repurchased 4,444,444 shares of its common stock for $50,000 from GS Direct, L.L.C. ("GS Direct"), an affiliate of The Goldman Sachs Group, Inc. Subject to certain exceptions, if GS Direct intends to sell its remaining 5,555,556 shares of Griffon common stock at any time prior to December 31, 2016, it will first negotiate in good faith to sell such shares to the Company.

NOTE 10 – EARNINGS PER SHARE (EPS)

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
Weighted average shares outstanding - basic	41,426	45,349	41,697	45,829
Incremental shares from stock based compensation	2,059	1,874	2,135	1,853
Convertible debt due 2017	406	446	895	—
Weighted average shares outstanding - diluted	43,891	47,669	44,727	47,682
Anti-dilutive options excluded from diluted EPS computation	416	567	418	580

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

NOTE 11 – BUSINESS SEGMENTS

Griffon's reportable segments are as follows:

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

Information on Griffon’s reportable segments is as follows:

REVENUE	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015	For the Six Months Ended March 31, 2016	For the Six Months Ended March 31, 2015
Home & Building Products:				
AMES	$ 165,847	$ 159,092	$ 284,137	$ 292,202
CBP	113,387	104,513	256,295	243,113
Home & Building Products	279,234	263,605	540,432	535,315
Telephonics	105,874	98,687	214,911	189,345
PPC	114,999	137,728	238,913	277,520
Total consolidated net sales	$ 500,107	$ 500,020	$ 994,256	$ 1,002,180

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

INCOME BEFORE TAXES	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015	For the Six Months Ended March 31, 2016	For the Six Months Ended March 31, 2015
Segment operating profit:				
Home & Building Products	$ 17,810	$ 8,651	$ 38,969	$ 25,020
Telephonics	7,875	9,114	15,688	16,631
PPC	5,880	9,867	11,897	17,887
Total segment operating profit	31,565	27,632	66,554	59,538
Net interest expense	(12,348)	(11,857)	(24,360)	(23,494)
Unallocated amounts	(9,379)	(7,580)	(19,007)	(15,844)
Income before taxes	$ 9,838	$ 8,195	$ 23,187	$ 20,200

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

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

	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015	For the Six Months Ended March 31, 2016	For the Six Months Ended March 31, 2015
Segment adjusted EBITDA:				
Home & Building Products	$ 26,338	$ 17,330	$ 56,167	$ 41,800
Telephonics	10,444	11,616	20,788	21,648
PPC	11,781	15,764	23,566	30,315
Total Segment adjusted EBITDA	48,563	44,710	100,521	93,763
Net interest expense	(12,348)	(11,857)	(24,360)	(23,494)
Segment depreciation and amortization	(16,998)	(17,078)	(33,967)	(34,225)
Unallocated amounts	(9,379)	(7,580)	(19,007)	(15,844)
Income before taxes	$ 9,838	$ 8,195	$ 23,187	$ 20,200

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
DEPRECIATION and AMORTIZATION	**2016**	**2015**	**2016**	**2015**
Segment:				
Home & Building Products	$ 8,528	$ 8,679	$ 17,198	$ 16,780
Telephonics	2,569	2,502	5,100	5,017
PPC	5,901	5,897	11,669	12,428
Total segment depreciation and amortization	16,998	17,078	33,967	34,225
Corporate	120	115	235	228
Total consolidated depreciation and amortization	$ 17,118	$ 17,193	$ 34,202	$ 34,453
CAPITAL EXPENDITURES				
Segment:				
Home & Building Products	$ 10,835	$ 11,114	$ 28,115	$ 21,375
Telephonics	1,958	1,339	3,238	2,308
PPC	6,956	7,486	13,360	15,165
Total segment	19,749	19,939	44,713	38,848
Corporate	1,185	853	1,239	865
Total consolidated capital expenditures	$ 20,934	$ 20,792	$ 45,952	$ 39,713

ASSETS	**At March 31, 2016**	**At September 30, 2015**
Segment assets:		
Home & Building Products	$ 1,079,215	$ 1,034,032
Telephonics	296,137	302,560
PPC	350,935	343,519
Total segment assets	1,726,287	1,680,111
Corporate	48,643	47,831
Total continuing assets	1,774,930	1,727,942
Assets of discontinued operations	3,584	3,491
Consolidated total	$ 1,778,514	$ 1,731,433

NOTE 12 – DEFINED BENEFIT PENSION EXPENSE

Defined benefit pension expense (income) was as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	**2015**	**2016**	**2015**
Interest cost	$ 2,080	$ 2,207	$ 4,160	$ 4,414
Expected return on plan assets	(2,916)	(2,932)	(5,832)	(5,864)
Amortization:				
Prior service cost	4	4	8	8
Recognized actuarial loss	591	541	1,181	1,082
Net periodic expense (income)	$ (241)	$ (180)	$ (483)	$ (360)

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS

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.

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

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

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. This guidance may be applied retrospectively or prospectively to all annual and interim periods presented and is effective for the Company beginning in fiscal 2018; implementation of this guidance is not expected to have a material effect on the Company’s financial condition or results of operations.

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 March 2016, the FASB issued guidance on simplifying several aspects of accounting for share-based payment award transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance requires a mix of prospective, modified retrospective, and retrospective transition to all annual and interim periods presented and is effective for the Company beginning in fiscal 2018. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

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

NOTE 14 – DISCONTINUED OPERATIONS

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

	At March 31, 2016	At September 30, 2015
Assets of discontinued operations:		
Prepaid and other current assets	$ 1,325	$ 1,316
Other long-term assets	2,259	2,175
Total assets of discontinued operations	$ 3,584	$ 3,491
Liabilities of discontinued operations:		
Accrued liabilities, current	$ 1,924	$ 2,229
Other long-term liabilities	3,220	3,379
Total liabilities of discontinued operations	$ 5,144	$ 5,608

There was no Installation Services revenue or income for the six months ended March 31, 2016 or 2015.

NOTE 15 – OTHER EXPENSE

For the quarters ended March 31, 2016 and 2015, Other income (expense) included $322 and $985, respectively, of net currency exchange 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 $10 and $517, respectively, of net investment income.

For the six months ended March 31, 2016 and 2015, Other income (expense) included $109 and $(1,525), respectively, of net 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 $202 and $563, respectively, of net investment income.

NOTE 16 – 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. Typical warranties require 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 from the date of original purchase unless otherwise stated on the product or packaging.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015	2016	2015
Balance, beginning of period	$ 4,778	$ 4,908	$ 4,756	$ 4,934
Warranties issued and changes in estimated pre-existing warranties	1,279	1,842	2,196	2,791
Actual warranty costs incurred	(872)	(1,076)	(1,767)	(2,051)
Balance, end of period	$ 5,185	$ 5,674	$ 5,185	$ 5,674

NOTE 17 – OTHER COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	$ 13,683	$ —	$ 13,683	$ (30,384)	$ —	$ (30,384)
Pension and other defined benefit plans	595	(209)	386	545	(192)	353
Cash flow hedges	(2,355)	706	(1,649)	(91)	11	(80)
Available-for-sale securities	—	—	—	145	(53)	92
Total other comprehensive income (loss)	$ 11,923	$ 497	$ 12,420	$ (29,785)	$ (234)	$ (30,019)

	Six Months Ended March 31, 2016			Six Months Ended March 31, 2015		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	$ 10,334	$ —	$ 10,334	$ (45,884)	$ —	$ (45,884)
Pension and other defined benefit plans	1,189	(417)	772	1,090	(384)	706
Cash flow hedges	(3,805)	1,141	(2,664)	(204)	50	(154)
Available-for-sale securities	—	—	—	(1,370)	500	(870)
Total other comprehensive income (loss)	$ 7,718	$ 724	$ 8,442	$ (46,368)	$ 166	$ (46,202)

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

	March 31, 2016	September 30, 2015
Foreign currency translation adjustments	$ (49,844)	$ (60,178)
Pension and other defined benefit plans	(30,921)	(31,692)
Change in Cash flow hedges	(1,981)	682
	$ (82,746)	$ (91,188)

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
Gain (Loss)	2016	2015	2016	2015
Pension amortization	$ (595)	$ (545)	$ (1,189)	$ (1,090)
Cash flow hedges	684	110	1,089	197
Available-for-sale securities	—	489	—	489
Total gain (loss)	89	54	(100)	(404)
Tax benefit (expense)	(3)	(20)	77	146
Total	$ 86	$ 34	$ (23)	$ (258)

NOTE 18 — COMMITMENTS AND CONTINGENCIES

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. Since December 2004, a customer of AMES has been named in various litigation matters relating to certain Union Tools products. The plaintiffs in those litigation matters have asserted causes of action against the customer of AMES for improper advertisement to end consumers. The allegations suggest that advertisements led the consumers to believe that Union Tools' hand tools were wholly manufactured within boundaries of the United States. The complaints assert various causes of action against the customer of AMES under federal and state law, including common law fraud. At some point, likely once the litigation against the customer of AMES ends, 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. AMES is now required to submit a Feasibility Study investigating four remedial options, and expects to do so in calendar 2016. The DEC is expected to issue a Record of Decision approving the selection of a remedial alternative in calendar 2016. 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.

Operating Leases

Griffon rents 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 $7,305 and $7,638 for the three months ended March 31, 2016 and 2015, respectively and totaled approximately $14,638 and $15,400 for the six months ended March 31, 2016 and 2015, respectively. Aggregate future annual minimum lease payments for operating leases are $26,292 in 2016, $20,741 in 2017, $17,889 in 2018, $14,729 in 2019, $10,041 in 2020 and $9,294 thereafter.

NOTE 19 — 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 March 31, 2016 and September 30, 2015 and for the three and six months ended March 31, 2016 and 2015. The financial information may not necessarily be indicative of the results of operations or financial position of the guarantor companies or non-guarantor companies had they 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.

CONDENSED CONSOLIDATING BALANCE SHEETS
At March 31, 2016

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	$ 2,955	$ 16,593	$ 34,734	$ —	$ 54,282
Accounts receivable, net of allowances	—	229,666	59,488	(27,993)	261,161
Contract costs and recognized income not yet billed, net of progress payments	—	107,937	543	—	108,480
Inventories, net	—	235,067	76,500	—	311,567
Prepaid and other current assets	25,050	25,906	12,752	(10,686)	53,022
Assets of discontinued operations	—	—	1,325	—	1,325
Total Current Assets	28,005	615,169	185,342	(38,679)	789,837
PROPERTY, PLANT AND EQUIPMENT, net	1,095	287,972	97,042	—	386,109
GOODWILL	—	284,875	75,219	—	360,094
INTANGIBLE ASSETS, net	—	150,186	64,547	—	214,733
INTERCOMPANY RECEIVABLE	593,980	841,728	287,600	(1,723,308)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	776,215	651,130	1,770,747	(3,198,092)	—
OTHER ASSETS	41,813	32,858	11,592	(60,781)	25,482
ASSETS OF DISCONTINUED OPERATIONS	—	—	2,259	—	2,259
Total Assets	$ 1,441,108	$ 2,863,918	$ 2,494,348	$ (5,020,860)	$ 1,778,514
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	$ 2,736	$ 2,304	$ 14,177	$ —	$ 19,217
Accounts payable and accrued liabilities	36,674	184,884	73,282	(34,214)	260,626
Liabilities of discontinued operations	—	—	1,924	—	1,924
Total Current Liabilities	39,410	187,188	89,383	(34,214)	281,767
LONG-TERM DEBT, net	848,962	19,972	53,629	—	922,563
INTERCOMPANY PAYABLES	68,143	821,631	804,601	(1,694,375)	—
OTHER LIABILITIES	59,212	124,681	33,907	(72,217)	145,583
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	3,220	—	3,220
Total Liabilities	1,015,727	1,153,472	984,740	(1,800,806)	1,353,133
SHAREHOLDERS' EQUITY	425,381	1,710,446	1,509,608	(3,220,054)	425,381
Total Liabilities and Shareholders' Equity	$ 1,441,108	$ 2,863,918	$ 2,494,348	$ (5,020,860)	$ 1,778,514

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	23,493	27,584	12,488	(8,479)	55,086
Assets of discontinued operations	—	—	1,316	—	1,316
Total Current Assets	25,933	578,893	182,362	(30,326)	756,862
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	41,774	30,203	9,959	(59,590)	22,346
ASSETS OF DISCONTINUED OPERATIONS	—	—	2,175	—	2,175
Total Assets	$ 1,356,374	$ 2,882,654	$ 2,423,666	$ (4,931,261)	$ 1,731,433
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	$ 2,202	$ 3,842	$ 10,549	$ —	$ 16,593
Accounts payable and accrued liabilities	30,158	222,758	72,843	(20,951)	304,808
Liabilities of discontinued operations	—	—	2,229	—	2,229
Total Current Liabilities	32,360	226,600	85,621	(20,951)	323,630
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	64,173	126,956	28,428	(72,634)	146,923
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	3,379	—	3,379
Total Liabilities	925,849	1,202,017	949,569	(1,776,527)	1,300,908
SHAREHOLDERS' EQUITY	430,525	1,680,637	1,474,097	(3,154,734)	430,525
Total Liabilities and Shareholders' Equity	$ 1,356,374	$ 2,882,654	$ 2,423,666	$ (4,931,261)	$ 1,731,433

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2016

($ in thousands)	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 406,989	$ 100,614	$ (7,496)	$ 500,107
Cost of goods and services	—	313,203	80,493	(7,746)	385,950
Gross profit	—	93,786	20,121	250	114,157
Selling, general and administrative expenses	6,530	66,197	18,952	(93)	91,586
Total operating expenses	6,530	66,197	18,952	(93)	91,586
Income (loss) from operations	(6,530)	27,589	1,169	343	22,571
Other income (expense)					
Interest income (expense), net	(2,696)	(7,752)	(1,900)	—	(12,348)
Other, net	18	904	(964)	(343)	(385)
Total other income (expense)	(2,678)	(6,848)	(2,864)	(343)	(12,733)
Income (loss) before taxes	(9,208)	20,741	(1,695)	—	9,838
Provision (benefit) for income taxes	(3,650)	8,012	(619)	—	3,743
Income (loss) before equity in net income of subsidiaries	(5,558)	12,729	(1,076)	—	6,095
Equity in net income (loss) of subsidiaries	11,653	(1,108)	12,730	(23,275)	—
Net income (loss)	$ 6,095	$ 11,621	$ 11,654	$ (23,275)	$ 6,095
Net Income (loss)	$ 6,095	$ 11,621	$ 11,654	$ (23,275)	$ 6,095
Other comprehensive income (loss), net of taxes	12,420	2,062	10,358	(12,420)	12,420
Comprehensive income (loss)	$ 18,515	$ 13,683	$ 22,012	$ (35,695)	$ 18,515

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended March 31, 2015

($ in thousands)	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 400,042	$ 113,206	$ (13,228)	$ 500,020
Cost of goods and services	—	306,625	91,320	(12,300)	385,645
Gross profit	—	93,417	21,886	(928)	114,375
Selling, general and administrative expenses	5,301	71,970	17,349	(1,054)	93,566
Income (loss) from operations	(5,301)	21,447	4,537	126	20,809
Other income (expense)					
Interest income (expense), net	(2,224)	(7,698)	(1,935)	—	(11,857)
Loss from debt extinguishment, net	—	—	—	—	—
Other, net	521	1,615	(2,767)	(126)	(757)
Total other income (expense)	(1,703)	(6,083)	(4,702)	(126)	(12,614)
Income (loss) before taxes	(7,004)	15,364	(165)	—	8,195
Provision (benefit) for income taxes	(1,984)	3,062	1,995	—	3,073
Income (loss) before equity in net income of subsidiaries	(5,020)	12,302	(2,160)	—	5,122
Equity in net income (loss) of subsidiaries	10,142	(735)	12,302	(21,709)	—
Net income (loss)	$ 5,122	$ 11,567	$ 10,142	$ (21,709)	$ 5,122
Net Income (loss)	$ 5,122	$ 11,567	$ 10,142	$ (21,709)	$ 5,122
Other comprehensive income (loss), net of taxes	(30,019)	(12,075)	(18,389)	30,464	(30,019)
Comprehensive income (loss)	$ (24,897)	$ (508)	$ (8,247)	$ 8,755	$ (24,897)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Six Months Ended March 31, 2016

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 796,249	$ 213,346	$ (15,339)	$ 994,256
Cost of goods and services	—	611,587	168,389	(15,982)	763,994
Gross profit	—	184,662	44,957	643	230,262
Selling, general and administrative expenses	12,928	132,144	37,998	(185)	182,885
Total operating expenses	12,928	132,144	37,998	(185)	182,885
Income (loss) from operations	(12,928)	52,518	6,959	828	47,377
Other income (expense)					
Interest income (expense), net	(4,952)	(15,541)	(3,867)	—	(24,360)
Other, net	211	1,920	(1,133)	(828)	170
Total other income (expense)	(4,741)	(13,621)	(5,000)	(828)	(24,190)
Income (loss) before taxes	(17,669)	38,897	1,959	—	23,187
Provision (benefit) for income taxes	(9,447)	16,829	1,114	—	8,496
Income (loss) before equity in net income of subsidiaries	(8,222)	22,068	845	—	14,691
Equity in net income (loss) of subsidiaries	22,913	821	22,068	(45,802)	—
Net income (loss)	$ 14,691	$ 22,889	$ 22,913	$ (45,802)	$ 14,691
Net Income (loss)	$ 14,691	$ 22,889	$ 22,913	$ (45,802)	$ 14,691
Other comprehensive income (loss), net of taxes	8,442	2,201	6,241	(8,442)	8,442
Comprehensive income (loss)	$ 23,133	$ 25,090	$ 29,154	$ (54,244)	$ 23,133

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Six Months Ended March 31, 2015

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 778,156	$ 252,087	$ (28,063)	$ 1,002,180
Cost of goods and services	—	595,995	199,594	(25,773)	769,816
Gross profit	—	182,161	52,493	(2,290)	232,364
Selling, general and administrative expenses	10,821	141,527	37,448	(2,334)	187,462
Total operating expenses	10,821	141,527	37,448	(2,334)	187,462
Income (loss) from operations	(10,821)	40,634	15,045	44	44,902
Other income (expense)					
Interest income (expense), net	(4,128)	(15,125)	(4,241)	—	(23,494)
Loss from debt extinguishment, net	—	—	—	—	—
Other, net	567	2,910	(4,641)	(44)	(1,208)
Total other income (expense)	(3,561)	(12,215)	(8,882)	(44)	(24,702)
Income (loss) before taxes	(14,382)	28,419	6,163	—	20,200
Provision (benefit) for income taxes	(5,465)	10,799	2,273	—	7,607
Income (loss) before equity in net income of subsidiaries	(8,917)	17,620	3,890	—	12,593
Equity in net income (loss) of subsidiaries	21,510	5,301	17,620	(44,431)	—
Net income (loss)	$ 12,593	$ 22,921	$ 21,510	$ (44,431)	$ 12,593
Net Income (loss)	$ 12,593	$ 22,921	$ 21,510	$ (44,431)	$ 12,593
Other comprehensive income (loss), net of taxes	(46,202)	(16,655)	(29,220)	45,875	(46,202)
Comprehensive income (loss)	$ (33,609)	$ 6,266	$ (7,710)	$ 1,444	$ (33,609)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Six Months Ended March 31, 2016

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 14,691	$ 22,889	$ 22,913	$ (45,802)	$ 14,691
Net cash provided by (used in) operating activities:	(57,752)	51,805	539	—	(5,408)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(186)	(37,970)	(7,796)	—	(45,952)
Acquired businesses, net of cash acquired	—	(2,726)	(1,744)	—	(4,470)
Proceeds from sale of investments	715	—		—	715
Proceeds from sale of assets	—	764	104	—	868
Net cash provided by (used in) investing activities	529	(39,932)	(9,436)	—	(48,839)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of shares for treasury	(33,640)	—	—	—	(33,640)
Proceeds from long-term debt	115,000	2,361	22,243	—	139,604
Payments of long-term debt	(20,601)	(1,064)	(24,658)	—	(46,323)
Change in short-term borrowings	—	—	(191)	—	(191)
Financing costs	(1,012)	—	(108)	—	(1,120)
Tax benefit from exercise/vesting of equity awards, net	2,291	—	—	—	2,291
Dividends paid	(4,508)	—	—	—	(4,508)
Other, net	208	(7,248)	7,248	—	208
Net cash provided by (used in) financing activities	57,738	(5,951)	4,534	—	56,321
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(578)	—	(578)
Effect of exchange rate changes on cash and equivalents	—	—	785	—	785
NET DECREASE IN CASH AND EQUIVALENTS	515	5,922	(4,156)	—	2,281
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	2,440	10,671	38,890	—	52,001
CASH AND EQUIVALENTS AT END OF PERIOD	$ 2,955	$ 16,593	$ 34,734	$ —	$ 54,282

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Six Months Ended March 31, 2015

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 12,593	$ 22,921	$ 21,510	$ (44,431)	$ 12,593
Net cash provided by (used in) operating activities:	(49,888)	(451)	7,288	—	(43,051)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(188)	(30,584)	(8,941)	—	(39,713)
Intercompany distributions	10,000	(10,000)	—	—	—
Investment purchases	8,891	—	—	—	8,891
Proceeds from sale of assets	—	12	165	—	177
Net cash provided by (used in) investing activities	18,703	(40,572)	(8,776)	—	(30,645)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of common stock	285	—	—	—	285
Purchase of shares for treasury	(37,577)	—	—	—	(37,577)
Proceeds from long-term debt	97,000	—	2,556	—	99,556
Payments of long-term debt	(28,101)	(717)	(607)	—	(29,425)
Change in short-term borrowings	—	—	(572)	—	(572)
Financing costs	(590)	—	—	—	(590)
Tax benefit from exercise/vesting of equity awards, net	345	—	—	—	345
Dividends paid	(3,911)	—	—	—	(3,911)
Other, net	95	21,021	(21,021)	—	95
Net cash provided by (used in) financing activities	27,546	20,304	(19,644)	—	28,206
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(545)	—	(545)
Effect of exchange rate changes on cash and equivalents	—	—	(3,768)	—	(3,768)
NET DECREASE IN CASH AND EQUIVALENTS	(3,639)	(20,719)	(25,445)	—	(49,803)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	6,813	31,522	54,070	—	92,405
CASH AND EQUIVALENTS AT END OF PERIOD	$ 3,174	$ 10,803	$ 28,625	$ —	$ 42,602

NOTE 20 – SUBSEQUENT EVENT

During the third quarter of 2016, PPC anticipates incurring pre-tax restructuring and related exit costs approximating $5,000 primarily related to headcount reductions at PPC’s Dombuhl, Germany facility, other location headcount reductions and for costs related to the shut down 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 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.

(Unless otherwise indicated, US dollars and non US currencies are in thousands, except per share data)

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS OVERVIEW

Griffon Corporation (the "Company" or "Griffon") is a diversified management and holding company conducting 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"):

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

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

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

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

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, improve manufacturing and distribution efficiencies, allow for in-sourcing of certain production previously performed by third party suppliers, and improve material flow and absorption of fixed costs. Management estimates that the 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 March 31, 2016, Griffon repurchased 18,700,559 shares of its common stock, for a total of $233,067 or $12.46 per share. This included the repurchase of 14,256,115 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. In each of August 2011, May 2014, March 2015, and July 2015, 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. At March 31, 2016, $27,990 in the aggregate remains under the July 2015 Board authorization.

Since September 2008, Griffon's Employee Stock Ownership Plan ("ESOP") has purchased 4,013,459 shares of Griffon's common stock, for a total of $44,973 or $11.21 per share. At March 31, 2016, the ESOP holds allocated and unallocated shares totaling 5,434,742, or 12% of Griffon's outstanding shares, with a related loan balance of $35,454, net of issuance costs.

On November 17, 2011, the Company began declaring quarterly dividends. During the first six months of 2016, and during 2015, 2014 and 2013, the Company declared and paid dividends per share of $0.10, $0.16, $0.12 and $0.10, respectively, for a total of $24,250 dividends paid during the period.

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.

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

On March 22, 2016, Griffon amended its Revolving Credit Facility to increase the credit facility 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 70.1631 shares of Griffon's common stock per $1 principal amount of notes, which corresponds to a conversion price of $14.25 per share.

OVERVIEW

Revenue for the quarter ended March 31, 2016 was $500,107 compared to $500,020 in the prior year quarter. Excluding the unfavorable impact of foreign currency, revenue increased 2%, primarily from Telephonics and continued growth at HBP, partially offset by reduced PPC volume. Net income was $6,095 or $0.14 per share, compared to $5,122 or $0.11 per share, in the prior year quarter; foreign currency was not material in the quarter. The current and prior year discrete tax provisions were not material.

Revenue for the six months ended March 31, 2016 was $994,256 compared to $1,002,180 in the prior year period, a decrease of 1%. Excluding the unfavorable impact of foreign currency, revenue increased 2%, primarily from Telephonics and growth at CBP, partially offset by the impact of warmer seasonal weather conditions at AMES and reduced PPC volume. Net income was $14,691 or $0.33 per share, compared to a net income of $12,593 or $0.26 per share, in the prior year period. The current and prior year results for the six months ended March 31, 2016 included discrete tax benefits, net, of $356 or $0.01 per share, compared to discrete tax provisions of $494, or $0.01 per share in the six months ended March 31, 2015. Excluding discrete items from the respective periods, Net income would have been $14,335 or $0.32 per share in the six months ended March 31, 2016 compared to $13,087 or $0.27 per share in the six months ended March 31, 2015. Excluding both the impact of foreign currency and discrete tax items, current year-to-date Net income would have been $16,057 or $0.36 per share in the six months ended March 31, 2016, compared to $15,537 or $0.33 in the six months ended March 31, 2015.

Griffon evaluates performance based on Earnings per share and Net income excluding discrete tax items, as applicable. Griffon believes this information is useful to investors. The following table provides a reconciliation of Net income to adjusted net income and Earnings per share to Adjusted earnings per share:

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2016	2015	2016	2015
Net income	$ 6,095	$ 5,122	$ 14,691	$ 12,593
Adjusting items, net of tax:				
Discrete tax provisions (benefits)	43	145	(356)	494
Adjusted net income	$ 6,138	$ 5,267	$ 14,335	$ 13,087
Diluted income per common share	$ 0.14	$ 0.11	$ 0.33	$ 0.26
Adjusting items, net of tax:				
Discrete tax provisions (benefits)	—	—	(0.01)	0.01
Adjusted earnings per common share	$ 0.14	$ 0.11	$ 0.32	$ 0.27
Weighted-average shares outstanding (in thousands)	43,891	47,669	44,727	47,682

Note: Due to rounding, the sum of earnings per common share and adjusting items, net of tax, may not equal adjusted earnings per common share.

RESULTS OF OPERATIONS

Three and six months ended March 31, 2016 and 2015

Griffon evaluates performance and allocates resources based on each segment's operating results before interest income and expense, income taxes, depreciation and amortization, and unallocated amounts (mainly corporate overhead), as applicable ("Segment adjusted EBITDA"). Griffon believes this information is useful to investors. The following table provides a reconciliation of Segment operating profit to Income before taxes:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2016	2015	2016	2015
Segment operating profit:				
Home & Building Products	$ 17,810	$ 8,651	$ 38,969	$ 25,020
Telephonics	7,875	9,114	15,688	16,631
PPC	5,880	9,867	11,897	17,887
Total segment operating profit	31,565	27,632	66,554	59,538
Net interest expense	(12,348)	(11,857)	(24,360)	(23,494)
Unallocated amounts	(9,379)	(7,580)	(19,007)	(15,844)
Income before taxes	$ 9,838	$ 8,195	$ 23,187	$ 20,200

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2016	2015	2016	2015
Segment adjusted EBITDA:				
Home & Building Products	$ 26,338	$ 17,330	$ 56,167	$ 41,800
Telephonics	10,444	11,616	20,788	21,648
PPC	11,781	15,764	23,566	30,315
Total Segment adjusted EBITDA	48,563	44,710	100,521	93,763
Net interest expense	(12,348)	(11,857)	(24,360)	(23,494)
Segment depreciation and amortization	(16,998)	(17,078)	(33,967)	(34,225)
Unallocated amounts	(9,379)	(7,580)	(19,007)	(15,844)
Income before taxes	$ 9,838	$ 8,195	$ 23,187	$ 20,200

Home & Building Products

	For the Three Months Ended March 31,				For the Six Months Ended March 31,			
	2016		2015		2016		2015	
Revenue:								
AMES	$ 165,847		$ 159,092		$ 284,137		$ 292,202	
CBP	113,387		104,513		256,295		243,113	
Home & Building Products	$ 279,234		$ 263,605		$ 540,432		$ 535,315	
Segment operating profit	$ 17,810	6.4%	$ 8,651	3.3%	$ 38,969	7.2%	$ 25,020	4.7%
Depreciation and amortization	8,528		8,679		17,198		16,780	
Segment adjusted EBITDA	$ 26,338	9.4%	$ 17,330	6.6%	$ 56,167	10.4%	$ 41,800	7.8%

For the quarter ended March 31, 2016, revenue increased $15,629 or 6%, compared to the prior year quarter. Excluding a $4,400 or 2% unfavorable foreign currency impact, revenue increased 8% compared to the prior year quarter. AMES revenue increased 4% due to improved U.S. snow tool, garden tool and pot and planter sales; foreign currency was 3% unfavorable. CBP revenue increased 8% due to increased volume and favorable product mix; foreign currency did not have a material impact on CBP revenue.

For the quarter ended March 31, 2016, Segment operating profit increased 106% to $17,810 compared to $8,651 in the prior year quarter, driven by increased sales, operational efficiency improvements and cost control measures at AMES, and increased volume, favorable product mix and decreased material costs at CBP; foreign currency was 2% unfavorable. Segment depreciation and amortization increased $151 from the prior year quarter.

For the six months ended March 31, 2016, revenue increased $5,117 or 1%, compared to the prior year period. Excluding a $14,300 or 3% unfavorable foreign currency impact, revenue increased 4% compared to the prior year period. AMES revenue decreased 3%, due to reduced snow tool sales in both Canada and U.S. as a result of warmer seasonal weather conditions, partially offset by improved pots and planter sales; foreign currency was 4% unfavorable. CBP revenue increased 5% due to increased volume and favorable product mix; foreign currency was 1% unfavorable.

For the six months ended March 31, 2016, Segment operating profit increased 56% to $38,969 compared to $25,020 in the prior year period, driven by AMES operational efficiency improvements and cost control measures and at CBP, increased volume, favorable mix and decreased material costs, partially offset by the impact of reduced snow tool sales at AMES; foreign currency was 11% unfavorable. Segment depreciation and amortization increased $418 from the prior year period.

On February 14, 2016, AMES Australia acquired substantially all of the Intellectual Property (IP) assets of Australia-based Nylex Plastics Pty Ltd. for approximately $1,700. 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.

Telephonics

	For the Three Months Ended March 31,				For the Six Months Ended March 31,			
	2016		2015		2016		2015	
Revenue	$ 105,874		$ 98,687		$ 214,911		$ 189,345	
Segment operating profit	$ 7,875	7.4%	$ 9,114	9.2%	$ 15,688	7.3%	$ 16,631	8.8%
Depreciation and amortization	2,569		2,502		5,100		5,017	
Segment adjusted EBITDA	$ 10,444	9.9%	$ 11,616	11.8%	$ 20,788	9.7%	$ 21,648	11.4%

For the quarter ended March 31, 2016, revenue increased $7,187 or 7% compared to the prior year quarter, due to mobile ground surveillance systems, secured digital intercommunication systems and contract manufacturing of dismounted Electronic Countermeasure ("ECM") systems, partially offset by decreased revenue from certain maritime surveillance radar systems.

For the quarter ended March 31, 2016, Segment operating profit decreased $1,239 or 14%, and operating profit margin decreased 180 basis points, compared to the prior year quarter, driven by the timing of work performed on maritime surveillance radar systems, partially offset by the timing of research and development expenses.

For the six months ended March 31, 2016, revenue increased $25,566 or 14%, compared to the prior year period, due to airborne maritime and ground surveillance radar systems and contract manufacturing of dismounted ECM systems, partially offset by cost growth recognized on certain components for airport surveillance radar systems.

For the six months ended March 31, 2016, Segment operating profit decreased $943 or 6%, and operating margin decreased 150 basis points compared to the prior year period, driven by the cost growth on airport surveillance radar systems, partially offset by the timing of work performed on research and development initiatives.

During the six months ended March 31, 2016, Telephonics was awarded several new contracts and incremental funding on existing contracts approximating $219,000. Contract backlog was $446,000 at March 31, 2016, with 76% expected to be fulfilled in the next 12 months. Backlog was $442,000 at September 30, 2015 and $482,000 at March 31, 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.

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.

PPC

	For the Three Months Ended March 31,				For the Six Months Ended March 31,			
	2016		2015		2016		2015	
Revenue	$ 114,999		$ 137,728		$ 238,913		$ 277,520	
Segment operating profit	$ 5,880	5.1%	$ 9,867	7.2%	$ 11,897	5.0%	$ 17,887	6.4%
Depreciation and amortization	5,901		5,897		11,669		12,428	
Segment adjusted EBITDA	$ 11,781	10.2%	$ 15,764	11.4%	$ 23,566	9.9%	$ 30,315	10.9%

For the quarter ended March 31, 2016, revenue decreased $22,729, or 17%, compared to the prior year quarter, due to reduced volume of 12% driven by lower North American baby care orders, a $5,500 or 4% unfavorable foreign currency impact, and a 1% unfavorable impact from the pass through of resin costs in customer selling prices. PPC adjusts selling prices based on underlying resin costs on a delayed basis.

For the quarter ended March 31, 2016, Segment operating profit decreased $3,987 or 40% compared to the prior year quarter, driven by decreased volume and the change in the impact of resin pricing pass through of $1,700, partially offset by favorable product mix; foreign currency had no material impact on Segment operating profit for the quarter. Segment depreciation was consistent with the prior year quarter.

For the six months ended March 31, 2016, revenue decreased $38,607, or 14%, compared to the prior year period, due to the unfavorable impact of foreign currency of $17,100 or 6%, reduced volume of 6% from lower North American baby care orders, a 1% unfavorable product mix and a 1% unfavorable impact from the pass through of resin costs in customer selling prices.

For the six months ended March 31, 2016, Segment operating profit decreased $5,990 or 33% compared to the prior year period driven by decreased volume and first quarter operational inefficiencies experienced in Europe from bringing down equipment for maintenance. Resin and foreign currency had no material impact on Segment operating profit for the year. Segment depreciation decreased $759 from the prior year period.

During April 2016, PPC announced a $50,000 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 late calendar 2017.

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.

In addition, PPC expects to record approximately $5,000 in restructuring charges in the third quarter of 2016. The charges are primarily related to headcount reductions at PPC's Dombuhl, Germany facility, other location headcount reductions and for costs related to the shut down 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. Management estimates that these actions will result in annual cash savings of $3,000 based on current operating levels.

Unallocated

For the quarter ended March 31, 2016, unallocated amounts totaled $9,379 compared to $7,580 in the prior year; for the six months ended March 31, 2016, unallocated amounts totaled $19,007 compared to $15,844 in the prior year. The increase in the current quarter and six months compared to the respective prior year periods primarily relates to compensation and incentive costs.

Segment Depreciation and Amortization

Segment depreciation and amortization decreased $80 and $258, respectively, for the quarter and six months ended March 31, 2016 compared to the prior year periods, primarily due to assets fully amortizing, partially offset by the onset of depreciation for new assets placed in service.

Other Expense

For the quarters ended March 31, 2016 and 2015, Other income (expense) included $322 and $985, respectively, of net currency exchange 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 $10 and $517, respectively, of net investment income.

For the six months ended March 31, 2016 and 2015, Other income (expense) included $109 and $(1,525), respectively, of net 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 $202 and $563, respectively, of net investment income.

Provision for income taxes

In both the quarter and six months ended March 31, 2016 and 2015, the Company reported pretax income, and recognized tax provisions of 38.0% and 36.6% for the quarter and six months ended March 31, 2016, respectively, compared to 37.5% and 37.7%, respectively, in the comparable prior year periods.

The six months ended March 31, 2016 included a $356 discrete tax benefit primarily resulting from the retroactive extension of the federal R&D credit signed into law December 18, 2015. The current quarter ended March 31, 2016 included a de minimis discrete tax provision. The comparable prior year periods ended March 31, 2015 included discrete tax provisions of $145 and $494, respectively, primarily resulting from taxes on repatriation of foreign earnings, partially offset by the benefit of the retroactive extension of the federal R&D credit signed into law December 19, 2014 and release of a valuation allowance. Excluding discrete items, the effective tax rates for the quarter and six months ended March 31, 2016 were 37.6% and 38.2%, respectively, compared to 35.7% and 35.2%, respectively, in the comparable prior year periods.

Stock based compensation

For the quarters ended March 31, 2016 and 2015, stock based compensation expense totaled $2,489 and $2,795, respectively. For the six months ended March 31, 2016 and 2015, such expense totaled $5,555 and $5,372, respectively.

Comprehensive income (loss)

For the quarter ended March 31, 2016, total other comprehensive income, net of taxes, of $12,420, included a $13,683 gain from foreign currency translation adjustments primarily due to the strengthening of the Euro, Canadian, Australian and Brazilian currencies, all in comparison to the U.S. Dollar, a $386 benefit from pension amortization of actuarial losses and a $1,649 loss on cash flow hedges.

For the quarter ended March 31, 2015, total other comprehensive loss, net of taxes, of $30,019, included a $30,384 loss from foreign currency translation adjustments primarily due to the weakening of the Euro, Canadian, Australian and Brazilian currencies, all in comparison to the U.S. Dollar, a $353 benefit from pension amortization of actuarial losses, an $80 loss on cash flow hedges and a $92 gain on available-for-sale securities.

For the six months ended March 31, 2016, total other comprehensive income, net of taxes, of $8,442 included a $10,334 gain from foreign currency translation adjustments primarily due to the strengthening of the Australian, Brazilian and Canadian currencies, partially offset by the weakening of the Euro, all in comparison to the U.S. Dollar, and a $772 benefit from pension amortization of actuarial losses and $2,664 loss on cash flow hedges.

For the six months ended March 31, 2015, total other comprehensive loss, net of taxes, of $46,202 included a $45,884 loss from foreign currency translation adjustments primarily due to the weakening of the Euro, Canadian, Australian and Brazilian currencies, all in comparison to the U.S. Dollar, and a $706 benefit from pension amortization of actuarial losses, a $154 loss on cash flow hedges and $870 settlement of available-for-sale securities.

Discontinued operations – Installation Services

There was no revenue or income from the Installation Services' business for the quarters and six months ended March 31, 2016 and 2015.

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 impacting liquidity include: 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 its existing businesses and execute strategic acquisitions, while managing its capital structure on both a short-term and long-term basis.

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

Cash Flows from Continuing Operations	**For the Six Months Ended March 31,**	
(in thousands)	**2016**	**2015**
Net Cash Flows Provided by (Used In):		
Operating activities	$ (5,408)	$ (43,051)
Investing activities	(48,839)	(30,645)
Financing activities	56,321	28,206

Cash used in continuing operations for the six months ended March 31, 2016 was $5,408 compared to $43,051 in the prior year period. Current assets net of current liabilities, excluding short-term debt and cash, increased to $473,005 at March 31, 2016 compared to $397,824 at September 30, 2015, primarily due to decreased collections of accounts receivable and contract costs and recognized income not yet billed and increased settlement of accounts payable and accrued expenses, partially offset by increases in inventory.

During the six months ended March 31, 2016, Griffon used cash for investing activities of $48,839 compared to $30,645 in the prior year; the prior year included proceeds received of $8,891 from the sale of available securities. Capital expenditures for the six months ended March 31, 2016 totaled $45,952, an increase of $6,239 from the prior year. 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 February 14, 2016, AMES Australia acquired substantially all of the Intellectual Property (IP) assets of Australia-based Nylex Plastics Pty Ltd. for approximately $1,700. 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.

During the six months ended March 31, 2016, cash provided by financing activities totaled $56,321 compared to $28,206 in the prior year. The inflow of cash provided by financing activities in the current year compared to the prior year principally reflects the changes in net borrowings under the Revolving Credit Facility (the "Credit Agreement") in 2016 compared to 2015. At March 31, 2016, outstanding borrowings under the Credit Agreement were $122,500 compared to outstanding borrowings of $95,000 at the same date in the prior year. On March 20, 2015 Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock; on July 29, 2015, an additional $50,000 was authorized. 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 the six months ended March 31, 2016, Griffon purchased 1,949,338 shares of common stock under both the March 2015 and July 2015 programs, for a total of $29,935 or $15.36 per share. In addition, during the six months ended March 31, 2016, 188,222 shares, with a market value of $3,577, or $19.00 per share, were withheld to settle employee taxes due upon the vesting of restricted stock, and were added to treasury stock.

During the six months ended March 31, 2016, the Board of Directors approved two quarterly cash dividends of $0.05 per share each. On May 4, 2016 the Board of Directors declared a quarterly cash dividend of $0.05 per share, payable on June 23, 2016 to shareholders of record as of the close of business on May 27, 2016.

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, in which payment terms are established in advance. With respect to HBP, there have been no material adverse impacts on payment for sales.

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. For the six months ended March 31, 2016:

- The United States Government and its agencies, through either prime or subcontractor relationships, represented 16% of Griffon's consolidated revenue and 73% of Telephonics' revenue.
- Procter & Gamble Co. represented 12% of Griffon's consolidated revenue and 52% of PPC revenue.
- The 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 ongoing relationships with them. Orders from these customers are subject to fluctuation and may be reduced 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.

Cash and Equivalents and Debt *(in thousands)*	**March 31, 2016**	**September 30, 2015**
Cash and equivalents	$ 54,282	$ 52,001
Notes payables and current portion of long-term debt	19,217	16,593
Long-term debt, net of current maturities	922,563	826,976
Debt discount and issuance costs	15,412	17,630
Total debt	957,192	861,199
Debt, net of cash and equivalents	**$ 902,910**	**$ 809,198**

On February 27, 2014, in an unregistered offering through a private placement under Rule 144A, Griffon issued, at par, $600,000 of 5.25% Senior Notes due 2022 ("Senior Notes"); interest is payable semi-annually on March 1 and September 1. The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and subject to certain covenants, limitations and restrictions. On June 18, 2014, Griffon exchanged all of the Senior Notes for substantially identical Senior Notes registered under the Securities Act of 1933 via an exchange offer. The fair value of the Senior Notes approximated $588,000 on March 31, 2016 based upon quoted market prices (level 1 inputs).

On March 22, 2016, Griffon amended its Credit Agreement to increase the maximum 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. The facility includes a letter of credit sub-facility with a limit of $50,000 and a multi-currency sub-facility of $50,000. 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). At March 31, 2016, outstanding borrowings and standby letters of credit were $122,500 and $15,922, respectively, under the Credit Agreement; $211,578 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"). The current conversion rate of the 2017 Notes is 70.1631 shares of Griffon's common stock per $1 principal amount of notes, corresponding to a conversion price of $14.25 per share. Prior to July 15, 2016, if for at least 20 trading days out of the last 30 trading days during any fiscal quarter the closing price of Griffon's common stock is 130% or greater than the conversion price on each such trading day, then at any time during the immediately subsequent fiscal quarter any holder has the option to convert such holder's note (and the Company is required to notify the trustee under the notes, and the holders of the notes, that this condition to conversion has been met). At any time on or after July 15, 2016, any holder has the option to convert such holder's notes; Griffon has the right to settle the conversion of the 2017 Notes in cash, stock or a combination of cash and stock. Griffon has the intent and ability to settle the principal components of any conversion of notes in cash. When a cash dividend is declared that would result in an adjustment to the conversion ratio of less than 1%, any adjustment to the conversion ratio is deferred until the first to occur of (i) actual conversion; (ii) the 42nd trading day prior to maturity of the notes; and (iii) such time as the cumulative adjustment equals or exceeds 1%. At both March 31, 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 $115,375 on March 31, 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.

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 March 31, 2016, 38,556 was outstanding under the mortgages, net of issuance costs.

In December 2013, Griffon's ESOP entered into an agreement that refinanced the two existing ESOP loans into one new Term Loan in the amount of $21,098 (the "Agreement"). The Agreement also provided for a Line Note with $10,000 available to purchase shares of Griffon common stock in the open market. In July 2014, Griffon's ESOP entered into an amendment to the existing Agreement which provided an additional $10,000 Line Note available to purchase shares in the open market. During 2014, the Line Notes were combined with the Term Loan to form one new Term Loan. The Term Loan bears interest at LIBOR plus 2.38% or the lender's prime rate, at Griffon's option. The Term Loan requires quarterly principal payments of $551, with a balloon payment of approximately $30,137 due at maturity on December 31, 2018. During 2014, 1,591,117 shares of Griffon common stock, for a total of $20,000 or $12.57 per share, were purchased with proceeds from the Line Notes. As of March 31, 2016, $35,454, net of issuance costs, was outstanding under the Term Loan. 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.

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. At March 31, 2016, $6,850 was outstanding, net of issuance costs.

In September 2015, Clopay Europe GmbH ("Clopay Europe") entered into a EUR 5,000 ($5,678 as of March 31, 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 2016, 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 March 31, 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 has an outstanding balance of EUR 12,500 ($14,006 at March 31, 2016, net of issuance costs) and the revolver had no borrowings outstanding at March 31, 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 Brazil maintains lines of credit of R$12,800 ($3,597 as of March 31, 2016). Interest on borrowings accrues at a rate of Brazilian CDI plus 6.0% (20.13% at March 31, 2016). At March 31, 2016 there was approximately R$6,911($1,942 as of March 31, 2016) borrowed under the lines. PPC guarantees the loan and lines.

In November 2012, Garant G.P. ("Garant") entered into a CAD $15,000 ($11,567 as of March 31, 2016) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (1.93% LIBOR USD and 2.16% Bankers Acceptance Rate CDN as of March 31, 2016). The revolving facility matures in October 2016. This facility is classified as long term debt as Griffon has the intent and ability to refinance the borrowings. Garant is required to maintain a certain minimum equity. At March 31, 2016, there was CAD $8,371 ($6,455 as of March 31, 2016) borrowed under the revolving credit facility with CAD $6,629 ($5,112 as of March 31, 2016) available for borrowing.

In December 2013 and May 2014, Griffon Australia Holdings Pty Ltd (formerly known as Northcote Holdings Australia Pty Ltd) entered into two unsecured term loans in the outstanding amounts of AUD 12,500 and AUD 20,000, respectively. The AUD 12,500 term loan requires quarterly interest payments with principal due upon maturity in December 2016. This loan is classified as long term debt as Griffon has the intent and ability to refinance the principal amount. The AUD 20,000 term loan requires quarterly principal payments of AUD 625, with a balloon payment due upon maturity in May 2017. The loans accrue interest at Bank Bill Swap Bid Rate "BBSY" plus 2.8% per annum (5.09% at March 31, 2016 for each loan). As of March 31, 2016, Griffon had an outstanding combined balance of AUD $30,555 ($23,432 as of March 31, 2016) on the term loans, net of issuance costs.

A subsidiary of Northcote Holdings Pty Ltd also maintains a line of credit of AUD 5,000 ($3,835 as of March 31, 2016), which accrues interest at BBSY plus 2.50% per annum (4.79% at March 31, 2016). At March 31, 2016, there were AUD 4,000 ($3,068 as of March 31, 2016) under the lines. The assets of a subsidiary of Northcote Holdings Pty Ltd secures the AUD 5,000 line of credit.

At March 31, 2016, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

In each of March 2015 and July 2015, Griffon's Board of Directors authorized the repurchase of up to $50,000 of Griffon's outstanding common stock. Under both programs, the Company may, from time to time, purchase shares of its common stock in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. During the quarter ended March 31, 2016, Griffon purchased 1,516,919 shares of common stock under the March 2015 and July 2015 programs, for a total of $22,705 or $14.97 per share. During the six month period ended March 31, 2016, Griffon purchased 1,949,338 shares of common stock under both the March 2015 and July 2015 programs for a total of $29,935 or $15.36 per share.

The December 10, 2013 repurchase of 4,444,444 shares from GS Direct for $50,000 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. This transaction was exclusive of the Company's authorized share repurchase programs. 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 5,555,556 shares of Griffon common stock at any time prior to December 31, 2016, it will first negotiate in good faith to sell such shares to the Company.

From August 2011 through March 31, 2016, Griffon repurchased 18,700,559 shares of its common stock, for a total of $233,067 or $12.46 per share, inclusive of the December 10, 2013 repurchase of 4,444,444 shares of its common stock for $50,000 from GS Direct. As of March 31, 2016, $27,990 remains under the July 2015 Board authorization.

On November 17, 2011, the Company began declaring quarterly cash dividends. During 2015, the Company declared and paid dividends totaling $0.16 per share. During the six months ended March 31, 2016, the Board of Directors approved two quarterly cash dividends of $0.05 per share. 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 May 4, 2016 the Board of Directors declared a quarterly cash dividend of $0.05 per share, payable on June 23, 2016 to shareholders of record as of the close of business on May 27, 2016.

During the six months ended March 31, 2016 and 2015, Griffon used cash for discontinued operations of $578 and $545, respectively, primarily related to settling remaining Installation Services liabilities and environmental costs.

CRITICAL ACCOUNTING POLICIES

The preparation of Griffon's consolidated financial statements in conformity with accounting principles generally accepted in the United States 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. There have been no changes in Griffon's critical accounting policies from September 30, 2015.

Griffon's significant accounting policies and procedures are explained in the Management Discussion and Analysis section in the Annual Report on Form 10-K for the year ended September 30, 2015. In the selection of the critical accounting policies, the objective is to properly reflect the financial position and results of operations for each reporting period in a consistent manner that can be understood by the reader of the financial statements. Griffon considers an estimate to be critical if it is subjective and if changes in the estimate using different assumptions would result in a material impact on the financial position or results of operations of Griffon.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issues, from time to time, new financial accounting standards, staff positions and emerging issues task force consensus. See the Notes to Condensed Consolidated Financial Statements for a discussion of these matters.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, 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-Q 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 continuing budgetary cuts resulting from sequestration and 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 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. Additional important factors that could cause the statements made in this Quarterly Report on Form 10-Q or the actual results of operations or financial condition of Griffon to differ are discussed under the caption "Item 1A. Risk Factors" and "Special Notes Regarding Forward-Looking Statements" in Griffon's Annual Report on Form 10-K for the year ended September 30, 2015. 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.

Item 3 - Quantitative and Qualitative Disclosure About Market Risk

Griffon's business' activities necessitates the management of various financial and market risks, including those related to changes in interest rates, foreign currency rates and commodity prices.

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-based variable interest rate. Due to the current and expected level of borrowings under these facilities, a 100 basis point change in LIBOR 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 Canada, Germany, Brazil, China and Australia; 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 4 - Controls and Procedures

Under the supervision and with the participation of Griffon's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), Griffon's disclosure controls and procedures, as defined by Exchange Act Rule 13a-15(e) and 15d-15(e), were evaluated as of the end of the period covered by this report. Based on that evaluation, Griffon's CEO and CFO concluded that Griffon's disclosure controls and procedures were effective at the reasonable assurance level.

During the period covered by this report, there were no changes in Griffon's internal control over financial reporting which materially affected, or are reasonably likely to materially affect, Griffon's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Griffon believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all controls issues and instances of fraud, if any, within a company have been detected. Griffon's disclosure controls and procedures, as defined by Exchange Act Rule 13a-15(e) and 15d-15(e), are designed to provide reasonable assurance of achieving their objectives.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings
None

Item 1A Risk Factors

In addition to the other information set forth in this report, carefully consider the factors discussed in Item 1A to Part I in Griffon's Annual Report on Form 10-K for the year ended September 30, 2015, which could materially affect Griffon's business, financial condition or future results. The risks described in Griffon's Annual Report on Form 10-K are not the only risks facing Griffon. Additional risks and uncertainties not currently known to Griffon or that Griffon currently deems to be immaterial also may materially adversely affect Griffon's business, financial condition and/or operating results.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

(c)

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(1)
January 1 - 31, 2016	347,919		$ 16.51	347,919	
February 1 - 29, 2016	749,000		14.28	749,000	
March 1 - 31, 2016	421,683	(2)	14.92	420,000	
Total	1,518,602		$ 14.97	1,516,919	$ 27,990

1. On each of May 2015 and July 30, 2015, the Company's Board of Directors authorized the repurchase of up to $50,000 of Griffon common stock; as of March 31, 2016, an aggregate of $27,990 remained available for the purchase of Griffon common stock under the July 30, 2015 $50,000 Board authorization.
2. Includes (a) 420,000 shares purchased by the Company in open market purchases pursuant to a stock buyback plan authorized by the Company's Board of Directors; and (b) 1,683 shares acquired by the Company from holders of restricted stock upon vesting of the restricted stock, to satisfy tax-withholding obligations of the holders.

Item 3 Defaults Upon Senior Securities
None

Item 4 Mine Safety Disclosures
None

Item 5 Other Information

Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics

On May 4, 2016, Griffon's Board of Directors approved a new Code of Business Conduct and Ethics (the "*Code*"), applicable to all directors and employees of Griffon and its subsidiaries worldwide, which Code consolidates and replaces Griffon's two existing codes of ethics.

The new *Code* is filed as Exhibit 14.1 to this Quarterly Report on Form 10-Q.

Item 6	**Exhibits**
10.1	Griffon Corporation 2016 Equity Incentive Plan (incorporated by reference to Exhibit A to Griffon's Proxy Statement relating to the 2016 Annual Meeting of Shareholders, filed with the Securities and Exchange Commission on December 17, 2015).
10.2	Griffon Corporation 2016 Performance Bonus Plan (incorporated by reference to Exhibit B to Griffon's Proxy Statement relating to the 2016 Annual Meeting of Shareholders, filed with the Securities and Exchange Commission on December 17, 2015).
10.3	Third Amended and Restated Credit Agreement, dated as of March 22, 2016, among Griffon Corporation, the several banks and other financial institutions or entities from time to time party thereto, Deutsche Bank Securities Inc. and Wells Fargo Bank, National Association, as co-syndication agents, Bank of America, N.A., Capital One, N.A. and Citizens Bank, National Association, as co-documentation agents and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 99.1 to Griffon's Current Report on Form 8-K filed March 22, 2016 (Commission File No. 1-06620)).
14.1	Code of Business Conduct and Ethics.
31.1	Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Document*
101.DEF	XBRL Taxonomy Extension Definitions Document*
101.LAB	XBRL Taxonomy Extension Labels Document*
101.PRE	XBRL Taxonomy Extension Presentations Document*
*	In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed".

SIGNATURES

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

GRIFFON CORPORATION

/s/ Brian G. Harris

Brian G. Harris
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 4, 2016

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GRIFFON CORPORATION

CODE OF BUSINESS CONDUCT AND ETHICS

This document is not a contract or a modification to an existing contract.

Ethical business is good business.
Integrity is central to our identity.

Griffon Corporation is committed to maintaining the highest standards of conduct. Ethical behavior is morally right and legally required, and requires your personal commitment, the same kind of commitment that we believe you and your fellow employees expect for themselves and the Company from others.

The good name and reputation of Griffon and its businesses are fundamental to our continued success. Each one of us has a personal responsibility to ensure that this reputation remains unblemished by conducting our business in an honest and ethical manner in compliance with all applicable laws and regulations.

The *Code of Business Conduct and Ethics* cannot address every situation our personnel may encounter, nor is it a strict list of do's and don'ts. Rather, it is a basis for you to make sound moral and ethical judgments in business dealings. Other Company policies, practices and procedures, as well as sound common sense, also apply.

Attendance at periodic training on matters related to the *Code* will be required, and may be accomplished through live sessions or through an electronic, online portal. At the conclusion of these sessions, you will be required to certify in writing or electronically that you have reviewed the *Code* and that you have attended the training session. A copy of these certifications will be retained by human resources.

As a company, we are committed to the *Code*, and we require our personnel to adhere to it. Accordingly, we urge you to report suspected violations of the *Code* to your Ethics Liaison Officer, your supervisor or any of the officers responsible for your division. If you wish to report suspected violations anonymously, or if you feel that reports of suspected violations have been ineffective, we urge you to use the Ethics Compliance Line reporting process.

If at any time you have questions about the *Code*, contact your supervisor, your local Human Resources representative, your Ethics Liaison Officer, or Griffon's Ethics Officer.

Remember, ethical behavior is good businesses.

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How to Use This Information

Griffon's *Code of Business Conduct and Ethics* is the cornerstone of our Ethics Program and applies to all employees, officers and directors of the Company (referred to in the *Code* as "personnel"). This document provides you with a general overview of our policies and procedures as well as guidelines of conduct in various scenarios. It is not intended as a definitive description of every corporate policy that may apply to you.

For a detailed explanation of the additional policies and procedures that govern your actions in the workplace, talk with your supervisor and/or Human Resources, or your Ethics Liaison Officer.

Operating Globally

Because we do business all around the world, on occasion our personnel will find themselves subject to multinational laws and regulations they may not be familiar with. It is our expectation that every employee, officer and director knows, follows and respects the laws of the land in which they work. In cases where these laws and cultural customs differ from the *Code*, it is our expectation that our personnel will follow whichever requires the highest standard of ethical conduct. In other words, behavior following local "norms" may not be followed if they conflict with the *Code*; and if local rules are stricter than those permitted by Griffon in other jurisdictions, the stricter local rules must be complied with.

Ethical Decision Making Process

It is not always easy to determine the right thing to do in a particular work situation. Sometimes because of the complexity of the situation, the decision is not clear cut. Sometimes you may face situations in which the path you are considering, although not a violation of the law or policy, does not seem to be the "right thing to do." In such cases, it is important to consider the matter in the context of our ethical philosophy and principles. To assist you, the decision making process provides a consistent approach to the evaluation of an ethical dilemma.

A good ethical decision-making process includes the following elements:

Review the situation and how you feel about it

- Is it legal?
- Is it ethical?
- Do I believe that it makes the Company or me "walk too close to the line?"
- Is it consistent with Company beliefs, policies and operating procedures?
- Does it accurately project the corporate image?
- How comfortable would I be explaining my actions in front of national television news cameras?
- How comfortable would I be if my decision were published in the newspaper?
- Would I do the same thing if a loved one, boss or friend were watching?

Use your resources

- What policies should I consult with for additional information, assistance or advice?
- Who should I consult with if I have further questions or concerns?

If at any time you have a concern about a particular set of circumstances or a particular situation, you should speak to your supervisor, your local Human Resources representative, your Ethics Liaison Officer or the Griffon Ethics Officer – or you can call the Griffon Ethics Compliance Line.

Ethics Policy and Principles

Ethics Policy

It is Griffon's policy to conduct its business honestly, ethically and in accordance with all applicable laws. We expect all personnel to conduct themselves with the highest standards of business conduct.

Ethics Principles

Doing what's right is the guiding principle of Griffon. This includes:

- Honest and ethical conduct at all times
- Promotion of honest and ethical conduct among peers and subordinates
- Full, fair, accurate, timely and understandable disclosure in all public communications, including all reports and documents filed with or submitted to the U.S. Securities and Exchange Commission
- 100% compliance with applicable laws, rules and regulations, both in letter and spirit
- Fair dealing with our customers, suppliers, competitors and employees, including properly maintaining the confidentiality of sensitive information about us or belonging to others
- Not taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice
- Protection and proper use of Company assets (*i.e.*, efficiently and for legitimate business purposes)
- The prompt internal reporting of violations of this policy to appropriate personnel
- Accountability for adherence to these standards
- Acting in good faith, responsibly, and with due care, competence and diligence

Why is this important?

We want to be an honest and ethical company that people trust and want to do business with. To demonstrate anything less than complete honesty, integrity and fairness to our customers, suppliers, shareholders and each other can undermine what we are all working so hard to build.

Your Role

The decisions you make on a daily basis not only affect the Company's bottom line, they also affect our reputation. That's why we expect you to do the right thing, for the right reason, in the right way, every time. And while it's the personal responsibility of each of us to strive to succeed in all our business endeavors, this success must never come at the expense of our ethical standards.

You also have an important duty to protect the Company and act in the Company's best interests. This means that, among other things, you should not use Company assets, confidential information or your position within the Company for any reason other than to benefit the Company.

To that end, it is the personal responsibility of each of us to ensure that the Company's business is conducted in absolute compliance with applicable laws and Company policies. Should any questions or possible violations be observed, it is the responsibility of all personnel to share their concern with appropriate Company management.

Respect and Concern for Others

Policy

It is Griffon's policy to provide a work environment that affords all employees the opportunity to contribute to the best of their abilities. For this reason, Griffon will not tolerate discrimination, harassment/sexual harassment, or physical or verbal threats. The Company's policy on equal employment opportunity prohibits discriminating against anyone based on the person's race, color, religion, national origin, gender, sexual orientation, age, physical or mental disability, service in the uniformed services, or any characteristic protected by law.

Why is this important?

Preventing harassment, discrimination and threats is a matter of respecting each other's rights and dignity, which is a basic value at Griffon.

Griffon's employees and business associates are entitled to conduct their business in a work environment free of these distractions and to work in an environment that is not "hostile." To help ensure such an environment, we must all take any discrimination, harassment or threat seriously and promptly advise management.

Your Role

As an employee, officer or director, you are responsible for your actions while conducting Company business and are expected to treat co-workers, vendors, clients, customers and contractors with respect. Personnel who do not uphold such conduct will be subject to disciplinary action, which may include termination of employment with Griffon. Working together to support these standards of conduct will create an environment of respect and concern for others.

Conflicts of Interest

Policy

It is Griffon's policy that all personnel must act with honesty and integrity and avoid any conflict, or even the appearance of a conflict, between their personal interest and the interest of the Company, unless it has been specifically described to and approved by the Company. A conflict of interest may exist when a person's private interest interferes in any way with the interests of the Company. A conflict situation can arise when one of our personnel takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also arise when one of our personnel, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company or through the use of confidential Company information. Unless disclosed and approved, neither our personnel, nor their immediate family members, may be involved with any business that competes or does business with Griffon.

Why is this important?

Griffon has an obligation to its customers, vendors and shareholders to ensure that business decisions are based on quality, price, delivery, service, experience and reputation. Further, business decisions must not be influenced by personal considerations or interests.

Your Role

Seek guidance when you or a family member are involved in an activity, or have a personal interest, which could affect your objectivity in performing your duties and responsibilities at Griffon. Keep in mind that an actual conflict of interest does not need to be present to constitute a violation of this policy. Activities that create the appearance of a conflict of interest must be fully disclosed before actions are taken that could impact the reputation of Griffon or our personnel. Seek advice from Human Resources or the Ethics Liaison Officer for further guidance on how to make a disclosure.

Corporate Opportunities

Policy

It is Griffon's policy that employees, officers and directors will not take for personal use, or for use by their immediate family member, any business opportunity learned of as a result of such individual's position with the Company. For example, no employee, officer or director should acquire any direct or indirect interest in any entity or venture when he or she knows that the Company may take or is taking steps to acquire any interest in such entity or venture.

Why is this important?

Our personnel and their immediate family members are not to use Company property, information or position for personal gain. Employees, officers and directors owe a duty to the Company to advance its legitimate interests – and not their own – when the opportunity to do so arises.

Your Role

If you learn of a business opportunity that is within the Company's existing or proposed lines of business, you should inform your supervisor or the Ethics Liaison Officer of the business opportunity and refrain from personally pursuing the matter until such time as the Company decides to forego the business opportunity. You should also disclose to your supervisor or the Ethics Liaison Officer if you or a family member has an ownership interest in an entity with whom the Company is doing – or is about to do – business.

Insider Trading

Policy

It is Griffon's policy that personnel must not benefit from, or enable others to benefit from, trading in securities/stocks based on material information not available to the general public.

Why is this important?

First and foremost, insider trading is illegal and the consequences of insider trading can be severe, including loss of employment, substantial fines and/or imprisonment. It is also a violation of Griffon's policy to trade Griffon stock while in possession of material nonpublic information.

Information may be considered material if:

- It is likely to affect the market price of securities/stocks or if a reasonable investor would want to know such information before making an investment decision
- Examples of material information may include (but are not limited to):
  - Mergers, acquisitions and divestitures
  - Significant new product developments
  - Revenues or earnings information

Your Role

If you have material nonpublic information about Griffon or other companies due to your role with Griffon, you are prohibited from trading in those companies' securities/stocks, as well as from communicating such information to family, friends or any other person.

Consult your Ethics Liaison Officer and the Company's Policy on Insider Trading for further guidance.

Gratuities and Business Courtesies

Policy

It is Griffon's policy that its personnel and representatives must conduct business with customers (including U.S. and foreign governments) and vendors on the basis of service, quality, performance and price without giving or accepting anything of value that could influence or appear to influence the outcome of a transaction. Further, it is against the law for employees or representatives of a U.S. corporation to give anything of value, directly or indirectly, to an official of another country in order to obtain or retain business or influence an official act or decision. In certain countries, businesses or entities may be owned by the local government, and people that you think of as working for a private entity may actually be government employees.

Why is this important?

To ensure the integrity of our business transactions and to comply with applicable laws, sales, purchases and other business decisions must not be influenced or appear to be influenced by gifts, gratuities or business courtesies. Further, the Company has a long-standing tradition of not doing anything that might cause others to potentially violate the law or the policies of their employer.

Gratuities are defined as items of value (cash, goods, services, use of property, etc.) that are given voluntarily and not in return for, or in anticipation of, a reciprocal service or courtesy.

Business Courtesies are reasonable accommodations (meals, refreshments, entertainment, transportation or lodging, etc.) that *may* be offered or received only in connection with marketing, product information, procurement, public relations or other business activities of the Company.

Your Role

Giving Gratuities and Business Courtesies — Applicable law prohibits you, as a Company employee, from offering or approving an offer for a gratuity or business courtesy that could be interpreted as an attempt to gain an unfair business advantage. Providing gratuities or business courtesies directly or otherwise to government officials needs to be handled in accordance with applicable law, such as the Foreign Corrupt Practices Act. Very specific and strict rules apply to business courtesies and gratuities offered to any government's employees, U.S. or otherwise. There are also specific rules that govern business courtesies and gratuities offered to employees of certain types of companies that are dependent on government funding, such as hospitals.

Receiving Gratuities and Business Courtesies — Company policy specifically prohibits you from soliciting any gratuity or business courtesy at any time or accepting a gratuity or business courtesy if doing such could create an actual or perceived influence or unfair advantage in conducting business with Griffon.

Consult your Ethics Liaison Officer and local internal policies for further guidance.

Company Books, Records and Reports

Policy

It is Griffon's policy that books and records must be maintained in accordance with proper accounting practices and all applicable laws and regulations. All time and costs must be accurately and completely recorded in a manner that can be easily audited. No false, misleading or artificial entries may be made in the books and records of the Company. Griffon is firmly committed to complying with all applicable laws and regulations relating to the preservation of records. Record retention is to be administered on a non-discretionary basis in accordance with applicable internal policies.

Why is this important?

As a public company there can be no compromise in the proper maintenance of our books, records and reports. The information from these records becomes a building block for our public reports to shareholders and regulators as well as for prices charged to our customers. Incorrect time charging or other business entries violate the trust of our customers, shareholders, and vendors and may also violate the law.

Your Role

Accuracy of the Company's books and records begins with each of us. Whether the records are time cards, expense reports, general accounting records, or purchasing or manufacturing records, each of us has a personal responsibility to ensure that every document is complete and accurate. Under no circumstances are Company records to be destroyed selectively or maintained outside Company premises or designated storage facilities. However, Company records should be disposed of routinely at the end of the retention period set forth in the applicable internal record retention policy.

Responding to Investigations and Legal Action

Policy

Griffon takes seriously its responsibility to cooperate with government audits, investigations and inquiries. In this situation, Griffon strictly prohibits destroying or altering any documents or electronic records, lying to or misleading an investigator, or obstructing the collection of information.

Why is this important?

Griffon values the trust placed in our company. We face a significant risk of damaging that trust and our reputation when we are involved in an investigation or litigation. We must pay particular attention to conducting our business and ourselves according to the highest standards of business ethics. The Company can face substantial legal penalties for improperly destroying information or records or obstructing an audit or investigation.

Your Role

You are required to cooperate in internal investigations. You must never destroy or alter any documents or electronic records, lie to or mislead an auditor or investigator, or obstruct the collection of information relating to an audit or investigation. In general, you will be notified when documents are to be preserved (even if their destruction would otherwise be called for by the records retention policy that applies). However, even in the absence of such a notification, if you ever have any doubts about whether it is appropriate to destroy a document under the records retention policy, please contact your Ethics Liaison Officer before doing so.

You must notify your Ethics Liaison Officer or the Legal Department immediately if you learn that a government agency, attorney, or any third party is conducting an investigation or asking for information pertaining to a suspected violation of law.

Using Company Resources

Policy

It is Griffon's policy that Company resources are provided for the purpose of serving the business interests of the Company and may not be used for any illegal purpose, to support a personal business venture, for political purposes or any purpose that would cause embarrassment to Griffon. Personnel have no expectation of privacy in their use of Company property. Excessive personal use of Company property is prohibited as well. Downloading, storing or transmitting information that contains obscene or explicit language or images that are offensive is also prohibited.

Why is this important?

Our continued success depends on the appropriate and effective use of Company resources to benefit the organization as a whole. Theft, damage and improper use of Company resources (*i.e.*, for non-business purposes) could reduce profit to our shareholders, increase prices to our customers and, ultimately, result in decreased business and fewer jobs.

Griffon defines Company resources as facilities, equipment (including computers and phones), electronic and telecommunications media as well as any proprietary information that are used for conducting business.

Your Role

Treat all Company resources with respect and keep in mind that access to these resources is a privilege, not a right. Because there is no expectation of privacy and the Company owns all data created through the use of Company property, use common sense when using e-mail, telephones, faxes or other Company resources and ensure that such use is not inappropriate, excessive or interfering with your responsibilities as an employee of Griffon. Remember that all software is to be used in accordance with applicable license agreements. Use of unauthorized computer software violates Company policy and may be in violation of Federal copyright statutes.

Product Integrity

Policy

The Company is committed to providing products and services that are safe and that meet or exceed customer expectations of safety, reliability, quality and performance. Products and services must be accurately represented to our customers.

Why is this important?

Deficiencies in product quality, safety, design or installation may place the well-being of customers, employees or others at risk. Any such deficiencies in product integrity must be reported promptly.

Your Role

It is imperative that all employees design, manufacture and test our products in strict accordance with all contract and legal requirements. Products and services must be accurately represented to our customers.

Employee Health and Safety and the Environment

Policy

It is Griffon's policy that all personnel must comply with all applicable environmental and health and safety laws and regulations. Other than authorized security personnel, and subject to applicable law, no personnel may carry firearms, explosives, incendiary devices or any other weapons on Company premises, or while conducting Company business. This applies even to personnel who have a permit or license to carry a weapon. Similarly, Griffon strictly prohibits acts of physical intimidation, assaults, or threats of violence by any of its employees. In addition, Griffon will not use any form of illegal child labor or involuntary labor or do business with any supplier if Griffon is aware that the supplier uses illegal child labor or involuntary labor. Violations of this policy are not tolerated.

Why is this important?

The U.S. Government and many governments of countries where we do business, as well as state and certain local governments, have established strict standards for the storage, use, treatment and disposal of a wide variety of materials for the assurance of employee health and safety. Failure to conduct our operations properly can have serious and damaging consequences for our employees, neighborhoods, customers, shareholders and the environment.

We are committed to not only comply with but, through continuous improvement programs, strive to exceed applicable environmental and employee health and safety standards by:

- Ensuring a safe work environment for all employees
- Eliminating or minimizing the generation of hazardous and other wastes
- Conserving energy, water and raw materials

The Company is committed to maintaining a safe workplace. Personnel are expected to know and comply with appropriate facility safety rules. Deficiencies in workplace safety should be reported promptly to management.

The use, possession or distribution by any employee of any illegal drug, illegally used prescription, weapons, controlled substance or alcoholic beverage on Company premises – or anywhere else in a manner that may harm the safety of any employee, the quality or efficiency of Company work or the general reputation of the Company – violates the *Code*, and may violate applicable law.

Your Role

You should be aware of your surrounding environment and help operate our business in a compliant and responsible manner which will protect our employees, our communities and our environment. All personnel should be aware of the environmental, health and safety policies and procedures applicable to their business and strictly adhere to them. Personnel are prohibited from bringing a weapon onto Company premises or committing or threatening acts of physical violence. Personnel who are aware that anyone on the premises has a weapon or is threatening physical violence should contact the Human Resources Department immediately.

Confidentiality/Protecting Information

Policy

It is Griffon's policy to proactively safeguard all information that could be reasonably considered Company sensitive as a means of preserving Griffon's integrity and protecting our competitiveness, profitability and security in dealing with all outside parties. It is also Griffon's policy to not use another company's proprietary information without their permission. Sensitive information includes, but is not limited to, all non-public information that might be of use to the Company's competitors or harmful to the Company or its customers, suppliers or partners if disclosed. Disclosure of sensitive information is only permitted when disclosure is expressly authorized or is required by law.

Why is this important?

Unauthorized disclosure of Company sensitive information, or unauthorized possession or use of someone else's sensitive information, could disadvantage the Company competitively, could compromise customer trust in Griffon and may expose the Company and the employee to legal liability.

Employees must be familiar with established policies and procedures that govern the protection of information. This may include:

- Company sensitive information
- Third party proprietary data
- Employee personal data
- Government classified information
- Customer and supplier information (in particular, sales and pricing information)

If governing laws are violated, the Company and the person or persons involved in the violation could face substantial fines and/or imprisonment.

Your Role

You must take care in protecting the Company's proprietary information which includes both technical and non-technical information. This duty to maintain the confidentiality of the Company's proprietary information extends even beyond the term of your employment with the Company. Whenever you copy or distribute Company proprietary information, it must be for a legitimate Company business purpose.

Additionally, using another company's proprietary information without their permission can have serious implications for you and Griffon. Using unauthorized proprietary information of others, including that of competitors, customers, suppliers or individuals, could expose the organization to legal liability. You should never share proprietary information belonging to any previous employer with any person at Griffon. Hiring an employee who works for a competing business present special concerns. Prior to extending an offer of employment, you should discuss the proposed offer with the Ethics Compliance Officer or the Legal Department.

When in doubt, seek guidance and remember – your obligation to protect Griffon's proprietary information extends not only to your period of employment, but also after your employment with Griffon ends.

Export, Import and Antiboycott Compliance

Policy

It is Griffon's policy to abide by applicable export and import rules and regulations whenever and wherever Griffon's business is being conducted. Sharing, selling, giving, receiving or otherwise transferring Company products, services or technical data to or from a foreign person or entity must be in compliance with export and import rules of the United States and the foreign territory. In addition, there are antiboycott laws and regulations that prohibit us from assisting in the boycott of another country.

Why is this important?

In today's global economy, providing or receiving hardware, software, services or technical data to and from a foreign company can be a highly complex process. Not only do you need to be aware of and comply with our country's import/export laws, you must also act in accordance with the laws and regulations of the applicable government that controls such technology transfers. Certain licenses or other government approvals may be required to export or import products, services or technical data. Noncompliance with the export and import laws and regulations can result in serious fines for Griffon and may even include a loss of export privileges or debarment as a Federal contractor. Moreover, Griffon may not cooperate with, and must report to the U.S. Government, requests that are prohibited by the U.S. antiboycott laws and regulations.

Your Role

Early coordination with Company experts is critical. Export and import regulations are often complex and based on the type of goods, technology or services being exported or imported and the intended destination. The identity of the customer and the intended end user (if different) are also critical.

Compliance with export controls is more than simply shipping product overseas. It may also include any visual disclosure or discussion involving technical data or technology with any foreign persons, abroad or in the U.S., including foreign national employees, consultants, temporary employees or contract laborers.

You should seek help and guidance before taking action that could expose you or the Company to violations of import, export or antiboycott regulations.

Antitrust and Competition

Policy

It is Griffon's policy and good business to obey the antitrust and competition laws of every country where we do business.

Why is this important?

The consequences of failing to follow antitrust and competition laws can be severe. Often this results in the violator being subject to criminal penalties, including imprisonment and/or significant fines as well as exposure to damages.

Certain types of conduct clearly violate U.S. antitrust laws and the competition laws of countries where business is being conducted. This type of conduct includes:

- Price fixing
- Bid rigging
- Market allocations of customers or territories
- Group boycotts

Other types of conduct may or may not violate U.S. antitrust laws or the competition laws of countries where the Company does business. Employees must check with the Ethics Liaison Officer before engaging in such conduct, especially the following:

- Tying arrangements – requiring procurement of a Company product or service in order to be able to buy another Company product or service.
- Exclusive dealing arrangements and requirements contracts.

Your Role

Personnel should have a general awareness of the types of business arrangements that have antitrust implications and contact the Ethics Liaison Officer before entering into such arrangements. Personnel should promptly report potential antitrust/competition violations to the Ethics Liaison Officer.

Doing Business with the Government

Policy

It is Griffon's policy and good business to obey the laws of every country where we do business. It is also the policy of Griffon to deal with government representatives in an honest and ethical manner and to comply with government procurement rules and procedures.

Why is this important?

Violations of applicable laws and regulations in performing under U.S. and foreign government contracts can lead to substantial fines and penalties and – in severe cases – suspension or debarment from receiving government contracts. These laws prohibit conduct that might unfairly favor one contractor over another during government procurement. Such conduct *may* include making employment offers or offering gratuities or business courtesies to government procurement officials, or acquiring confidential source selection information related to the government procurement. Many government contracts require us to provide information in connection with government audits and, in some instances, in connection with the negotiation of prices. When required by law, all Griffon personnel must ensure that the information we provide is current, accurate and complete.

U.S. Government contractors are required to timely disclose whenever, in connection with the award, performance, or closeout of a contract or any subcontract, the contractor has credible evidence that a principal, employee, agent or subcontractor of the contractor has committed a violation of Federal criminal law involving fraud, conflict of interest, bribery, or a gratuity violation or a violation of the civil False Claims Act. The disclosure requirement for an individual contract continues at least 3 years after final payment on the contract.

Your Role

All personnel must exercise discretion, use sound business judgment and comply with applicable laws and regulations in dealing with governments in all countries in which we operate. It is expected that Griffon personnel will deal with government representatives in an honest and ethical manner and avoid any circumstance that could be considered as deceitful or fraud, creating the appearance of an impropriety, or a conflict of interest. Report any suspected violation by employees or subcontractors regarding fraud, conflict of interest, bribery, prohibited gratuities or the False Claims Act to the Ethics Liaison Officer immediately. Keep in mind that, in some countries, employees that may appear to be working in the private sector might in fact be working for a business owned or controlled by the foreign country's government.

Recruiting Government Employees

Policy

It is Griffon's policy to conduct its recruiting and hiring practices of government employees in accordance with laws and regulations of the countries in which the Company operates and not create the appearance of an impropriety in this regard. Solicitation for employment, employment discussions and employment offers to current or former government officials (including military officers) must be made in accordance with the laws and regulations governing post-government employment.

Why is this important?

Current and former U.S. Government employees are subject to Federal laws and regulations that may limit the ability of the Company to recruit and hire certain individuals, and may limit the activities they may be able to perform for the Company. Depending on the circumstances, it may be against the law for you and that person to discuss potential employment with Griffon. Additionally, prior to engaging in employment discussions with government officials in other countries, guidance should be sought to ensure compliance with local country laws and regulations.

Your Role

Griffon personnel, or anyone acting on our behalf, are prohibited from engaging in employment discussions with certain current U.S. Government employees. This means that you must not even discuss the possibility of employment with a current U.S. Government employee until they have formally notified their superior of such employment discussions.

Whether dealing with a U.S. Government employee or government employee from another country, guidance should be obtained through the Ethics Liaison Officer to determine whether their employment could create a conflict of interest and/or a possible violation of law.

Procurement Integrity

Policy

It is Griffon's policy to compete fairly and ethically in all of its business dealings. As part of this process, personnel must strictly comply with the laws, rules and regulations that apply to U.S. Government procurements. Personnel are prohibited from attempting to improperly obtain a competitor's bid or proposal information or any government source selection information.

Why is this important?

We are expected to deal fairly and honestly with customers, competitors, public agencies and subcontractors by ensuring that no data concerning customers or competitors is obtained or solicited in violation of law or regulation, and the confidentiality of procurement information is properly maintained.

For U.S. Government procurements, there is a ban on either obtaining or disclosing certain contractor bid or proposal information or government source selection information. This includes competitive information submitted to a government agency as part of, or in connection with, a bid or proposal to enter into a government procurement contract. This may also include nonpublic information that has been prepared for use by the procuring agency in the evaluation of a contractor's bid or proposal. These procurement integrity restrictions apply to everyone involved in U.S. Government procurement, and it applies until the contract is awarded.

Your Role

Always exercise caution should a third party offer to provide you with bid, proposal or source selection information and pay special attention to receiving or disclosing marketing intelligence, which may include competitor's price, cost data or program evaluation criteria.

Finally, all personnel involved with any aspect of government procurement must keep in mind that other confidentiality and nondisclosure restrictions may apply.

Lobbying Expenditures

Policy

It is Griffon's policy to comply with all laws relating to political contributions and lobbying expenditures.

Why is this important?

The Company is limited by law regarding expenditures for lobbying activities, contributions to political parties or candidates and expenditures regarding ballot measures.

Contributions that are governed by our policy include more than just cash donations. They also include any costs incurred by the Company on behalf of any political party or candidate for political office, or any ballot measure, including, for example, postage, internal or purchased items such as graphics and printing, tickets to fund raisers and similar events, and the wages and benefits of employees for any time that they may spend during regular working hours in connection with such matters.

Your Role

Personnel are encouraged to participate in the political process as good citizens, but those activities must be engaged in during their own time and at their own expense and may in no way be expressed as representing Griffon.

Problem Reporting and Resolution

Policy

It is Griffon's policy that if you have knowledge of any activity that is or may be a violation of the *Code*, you should promptly report such activity to your supervisor, another member of management, Human Resources, the Ethics Liaison Officer, or anonymously through the Ethics Compliance Line at (888) 298-4032. Harassment of, or retaliation against, an employee for making a disclosure to the Ethics Liaison Officer or any member of management is prohibited by Company policy. Deliberately making a false report is also prohibited.

Why is this important?

Unethical behavior is wrong and can damage the Company. At Griffon, we believe upholding the *Code* is everyone's responsibility. To that end, we've worked hard to create a culture of shared accountability, where everyone feels free to bring any ethical concerns forward.

Unfortunately, rules are sometimes broken. The Company must know about these violations so prompt and appropriate action may be taken. To help ensure the *Code* is enforced, all personnel should understand and accept their responsibility to report any violations and know they can do so without fear of retaliation. If any employee feels that he or she has been retaliated against for helping to uphold the *Code*, it is the policy of the Company to take immediate action.

Reports to the Ethics Liaison Officer may be made anonymously using the Ethics Compliance Line in the United States.

Your Role

Employees are urged to seek answers or clarification if there are any doubtful or "gray" areas. We urge all employees to seek answers to questions concerning ethical behavior before it becomes a problem. Whether you speak to your supervisor, someone in Human Resources, the Ethics Liaison Officer, or call the Ethics Compliance Line, there are multiple avenues available to you to raise your concerns or questions.

Enforcement

Anyone who suspects in good faith that the *Code* or a Company policy has been violated has an obligation to report suspected violations to the Ethics Liaison Officer, to Griffon Corporation's Ethics Officer or through the Ethics Compliance Line. *It is a breach of the Code for any manager or employee of the Company to retaliate or attempt to retaliate against any employee submitting such a report*. The Company takes allegations of violation seriously and will investigate them. Violators will be disciplined.

To promote and maintain a corporate environment that encourages the disclosure of concerns or reports, Griffon has established a separate and independent "Ethics Compliance Line" procedure for the receipt, investigating and reporting of information and reports of violations, or suspected violations of the *Code*.

Ethics Officer

The Griffon Corporation Ethics Officer is responsible for the implementation of all matters relating to the *Code*, including establishing operating procedures, developing educational programs and materials for inclusion in the Company's ethics training program, dissemination of the *Code* (including via electronic means), overseeing the Company's Ethics Compliance Line, and investigating and reporting of information and reports of suspected or known violations of the *Code*. The Ethics Officer may seek legal advice and investigative assistance from in-house counsel or outside counsel, as appropriate.

1. <u>Ethics Liaison Officers</u>

Each of the operating companies of Griffon Corporation shall designate an Ethics Liaison Officer. The Ethics Liaison Officers shall assist the Ethics Officer in all of his or her duties. The Ethics Officer may delegate such duties and responsibilities to the Ethics Liaison Officers as the Ethics Officer may deem appropriate and necessary.

2. <u>Reports</u>

The Ethics Liaison Officers shall provide periodic written reports to the Ethics Officer describing the activities associated with these responsibilities, including implementation of the Company's Ethics Program.

The Ethics Liaison Officers' written reports will include information concerning (i) Ethics Compliance Line calls, (ii) areas of investigation, (iii) status and disposition of Ethics Compliance Line calls and investigations, including disciplinary actions taken, (iv) educational and training programs conducted on matters related to the *Code* during the reporting period and (v) educational and training programs planned for the next reporting period.

Enforcement

continued

3. Reporting:

Suspected instances of improper conduct may be reported to your supervisor, or to any of the following persons:

GRIFFON ETHICS OFFICER
Telephone: (212) 957-5000

CLOPAY ETHICS LIAISON OFFICER
Telephone: (513) 770-3935

TELEPHONICS ETHICS LIAISON OFFICER
Telephone: (631) 755-7759

AMES ETHICS LIAISON OFFICER
Telephone: (717) 730-2564

ETHICS COMPLIANCE LINE
Telephone: (888) 298-4032

For matters related to U.S. Government contracts, you may also report your concern to the DOD HOTLINE:

DOD HOTLINE
DOD Inspector General Attn: Defense HOTLINE
Address: 400 Army Navy Drive
Washington, DC 22202-6884
Telephone: (800) 424-9098

Amendments and Waivers

The *Code* may be amended only by the Board of Directors of the Company.

Certain provisions of the *Code* require you to act, or refrain from acting, unless prior approval is received from the appropriate person. Employees requesting approval pursuant to the *Code* should request such approval from the Ethics Officer, the Ethics Liaison Officer or their designees. Any waiver of the *Code* for any executive officer or director of the Company may be made only by the Board of Directors or a duly authorized committee of the Board of Directors. Any waiver of the *Code* for any other employee of the Company may be made by the Ethics Officer or the Ethics Liaison Officer. To the extent required by applicable law, rule or stock exchange regulation, all material amendments and any waivers for executive officers or directors will be disclosed publicly.

In some situations it may not be clear whether a provision of the *Code of Business Conduct and Ethics* is intended to apply to particular conduct. In such situations, the Board of Directors and the Audit Committee have full power and authority to interpret the *Code* in a manner that they believe reflects the intent of the Board of Directors, and no determination that the *Code* was not intended to apply to such conduct shall be deemed to be a waiver of the *Code*'s prohibitions.

Where to Go for Help

If you want help resolving questions about the *Code* as it applies to any specific situation, you should use one of the resources listed in this document.

Resources

Leadership – Successive levels of leadership are available to discuss your ethical concerns or questions. They may refer you to a different supervisor, but in most circumstances this should be your first point of contact.

Human Resources – Contact your local Human Resources representative to assist with employee relations matters or as a general point of contact involving employee-related concerns.

Ethics Liaison Officer – Contact your Ethics Liaison Officer to answer questions, seek guidance, express concerns or report suspected violations of the *Code*.

Ethics Compliance Line – Griffon has an Ethics Compliance Line, (888) 298-4032, through which you may seek guidance or report suspected violations. Your report may be made anonymously. All information provided to the Ethics Compliance Line, including your identity, will be kept confidential to the extent reasonably possible in light of the Company's investigation and reporting obligations.

Exhibit 31.1

CERTIFICATION

I, Ronald J. Kramer, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: May 4, 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 quarterly report on Form 10-Q 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: May 4, 2016

/s/ Brian G. Harris

Brian G. Harris
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

I, Ronald J. Kramer, Chief Executive Officer of Griffon Corporation, hereby certify that the Form 10-Q of Griffon Corporation for the period ended March 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Griffon Corporation.

/s/ Ronald J. Kramer

Name: Ronald J. Kramer

Date: May 4, 2016

I, Brian G. Harris, Senior Vice President and Chief Financial Officer of Griffon Corporation, hereby certify that the Form 10-Q of Griffon Corporation for the period ended March 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Griffon Corporation.

/s/ Brian G. Harris

Name: Brian G. Harris

Date: May 4, 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.