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

FORM 10-K

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

For the year ended September 30, 2020

OR

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

Commission File No. 1-06620

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

Delaware	**11-1893410**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

712 Fifth 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)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.25 par value	GFF	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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 **x** No **o**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such period that the registrant was required to submit such files). Yes **x** No **o**

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:

Large accelerated filer	☒	Accelerated filer	**o**
Non-accelerated filer	**o**	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the close of business March 31, 2020, the registrant’s most recently completed second quarter, was approximately $527,000,000. The registrant’s closing price as reported by the New York Stock Exchange-Composite Transactions for March 31, 2020 was $12.65. The number of the registrant’s outstanding shares was 56,124,504 as of October 31, 2020.

DOCUMENTS INCORPORATED BY REFERENCE:

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

Special Notes Regarding Forward-Looking Statements

This Annual Report on Form 10-K, especially “Management’s Discussion and Analysis”, contains certain “forward-looking statements” within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income (loss), earnings, cash flows, revenue, changes in operations, operating improvements, industries in which Griffon Corporation (the “Company” or “Griffon”) operates and the United States and global economies. Statements in this Form 10-K that are not historical are hereby identified as “forward-looking statements” and may be indicated by words or phrases such as “anticipates,” “supports,” “plans,” “projects,” “expects,” “believes,” “should,” “would,” “could,” “hope,” “forecast,” “management is of the opinion,” “may,” “will,” “estimates,” “intends,” “explores,” “opportunities,” the negative of these expressions, use of the future tense and similar words or phrases. Such forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, among others: current economic conditions and uncertainties in the housing, credit and capital markets; Griffon’s ability to achieve expected savings from cost control, restructuring, integration and disposal initiatives; the ability to identify and successfully consummate, and integrate, value-adding acquisition opportunities; increasing competition and pricing pressures in the markets served by Griffon’s operating companies; the ability of Griffon’s operating companies to expand into new geographic and product markets, and to anticipate and meet customer demands for new products and product enhancements and innovations; reduced military spending by the government on projects for which Griffon's Telephonics Corporation supplies products, including as a result of defense budget cuts or other government actions; the ability of the federal government to fund and conduct its operations; increases in the cost or lack of availability of raw materials such as resin, wood and steel, components or purchased finished goods, including any potential impact on costs or availability resulting from tariffs; 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, regulatory 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; the impact of COVID-19 on the U.S. and the global economy, including business disruptions, reductions in employment and an increase in business and operating facility failures, specifically among our customers; Griffon's ability to service and refinance its debt; and the impact of recent and future legislative and regulatory changes, including, without limitation, changes in tax laws. Such statements reflect the views of the Company with respect to future events and are subject to these and other risks, as previously disclosed in the Company’s Securities and Exchange Commission filings. Readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date made. Griffon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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

PART I
Item 1. ***Business***

Overview

Griffon Corporation (the “Company” or “Griffon”, "we", "us") is a diversified management and holding company that conducts business through wholly-owned subsidiaries. The Company, founded in 1959, is a Delaware corporation headquartered in New York, N.Y. and is listed on the New York Stock Exchange (NYSE:GFF).

Business Strategy

We own and operate, and seek to acquire, businesses in multiple industries and geographic markets. Our objective is to maintain leading positions in the markets we serve by providing innovative, branded products with superior quality and industry-leading service. We place emphasis on our iconic and well-respected brands, which helps to differentiate us and our offerings from our competitors and strengthens our relationship with our customers and those who ultimately use our products.

Through operating a diverse portfolio of businesses, we expect to reduce variability caused by external factors such as market cyclicality, seasonality, and weather. We achieve diversity by providing various product offerings and brands through multiple sales and distribution channels and conducting business across multiple countries which we consider our home markets.

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. As long-term investors, having substantial experience in a variety of industries, our intent is to continue the growth and strengthening of our existing businesses, and to diversify further through investments in our businesses and through acquisitions.

Over the past three years, we have undertaken a series of transformative transactions. We divested our specialty plastics business in 2018 to focus on our core markets and improve our free cash flow conversion. We expanded the scope of The AMES Companies, Inc. ("AMES") and Clopay Corporation ("Clopay") through the acquisitions of ClosetMaid, LLC ("ClosetMaid") and CornellCookson, Inc. ("CornellCookson"), respectively. CornellCookson has been integrated into Clopay, so that our leading company in residential garage doors and sectional commercial doors now includes a leading manufacturer of rolling steel doors and grille products. ClosetMaid was combined with AMES, and we established an integrated headquarters for AMES in Orlando, Florida. AMES is now positioned to fulfill its mission of Bringing Brands Together™ with the leading brands in home and garage organization, outdoor décor, and lawn, garden and cleaning tools. As a result of the expanded scope of the AMES and Clopay businesses, in 2019 we began reporting each as a separate segment. Griffon now reports its operations through three segments. Clopay remains in the Home and Building Products ("HBP") segment, AMES now constitutes our new Consumer and Professional Products ("CPP") segment and our Defense Electronics segment which continues to consist of Telephonics Corporation.

Impact of COVID-19 on Our Business

The health and safety of our employees, our customers and their families is a high priority for Griffon. As of the date of this filing, all of Griffon's facilities are fully operational. We have implemented a variety of new policies and procedures, including additional cleaning, social distancing, staggered shifts and prohibiting or significantly restricting on-site visitors, to minimize the risk to our employees of contracting COVID-19. We manufacture a substantial majority of the products that we sell, with the majority of our manufacturing activities conducted in the United States. As a result, we have been able to mitigate the adverse impact of the COVID-19 pandemic on the global supply chain.

During fiscal 2020 and through the date of this filing, all of our businesses have experienced normal or better order patterns compared with the same time period last year, with the exception of HBP's sectional door business, which experienced an 18% decline in orders in April but subsequently rebounded. Our supply chains have not experienced significant disruption, and at this time we do not anticipate any such significant disruption in the near term. Although many U.S. states lifted initial executive orders issued earlier in the year requiring all workers to remain at home unless their work is critical, essential, or life-sustaining, some states and localities have recently put in place new restrictions regarding the operation of many types of businesses, or have tightened up restrictions already in place, in response to the recent worsening of the COVID-19 outbreak. Regardless, we believe that, based on the various standards published to date, the work our employees are performing are either critical, essential and/or life-sustaining for the following reasons: 1) Our Defense Electronics segment ("DE") is a defense and national security-related operation supporting the U.S. Government, with a portion of its business being directly with the U.S. Government; 2) HBP residential and commercial garage doors, rolling steel doors and related products that (a) provide protection and support for the efficient and safe movement of people, goods, and equipment in and out of residential and commercial facilities, (b) help prevent fires from spreading from one location to another, and (c) protect warehouses and homes, and their contents, from damage caused by strong weather events such as hurricanes and tornadoes; and 3) CPP tools and storage products provide critical support for the national infrastructure including construction, maintenance, manufacturing and natural disaster recovery, and is part of the essential supply base to many of its largest customers including Home Depot, Lowe's and Menards. Our AMES international facilities are currently fully operational, as they meet the applicable standards in their respective countries.

Griffon believes it has adequate liquidity to invest in its existing businesses and execute its business plan, while managing its capital structure on both a short-term and long-term basis. In January 2020, Griffon increased total borrowing capacity under its revolving credit facility ("Credit Agreement") by $50,000, to $400,000 (of which $370,275 was available at September 30, 2020), and extended maturity of the facility to 2025. In addition, the Credit Agreement has a $100,000 accordion feature (subject to lender consent). In February 2020, Griffon refinanced $850,000 of its $1,000,000 of senior notes due 2022 with new 5.75% senior notes with a maturity of 2028, and in June 2020 refinanced the remaining $150,000 under the same terms and indenture as the $850,000 senior notes due 2028. In August 2020, we completed a public offering of 8,700,000 shares of our common stock for total net proceeds of $178,165 (the "Public Offering"); a portion of these net proceeds were used to repay outstanding borrowing under our Credit Agreement. At September 30, 2020 Griffon had cash and equivalents of $218,089.

We will continue to actively monitor the situation and may take further actions that impact our operations as may be required by federal, state or local authorities or that we determine is in the best interests of our employees, customers, suppliers and shareholders. While we are unable to determine or predict the nature, duration or scope of the overall impact the COVID-19 pandemic will have on our businesses, results of operations, liquidity or capital resources, we believe it is important to discuss where our company stands today, how our response to COVID-19 is progressing and how our operations and financial condition may change as the fight against COVID-19 progresses.

Business Highlights

In August 2020 Griffon completed the Public Offering of 8,700,000 shares of our common stock for total net proceeds of $178,165. The Company used a portion of the net proceeds to repay outstanding borrowings under its Credit Agreement. The Company intends to use the remainder of the proceeds for general corporate purposes, including to expand its current business through acquisitions of, or investments in, other businesses or products.

On February 19, 2020, Griffon issued, at par, $850,000 of 5.75% Senior Notes due in 2028 (the “2028 Senior Notes”) and on June 8, 2020 Griffon issued an additional $150,000 of 2028 Senior Notes at 100.25% of par under the same indenture. Proceeds from the 2028 Senior Notes were used to redeem the $1,000,000 of 5.25% Senior Notes due 2022.

In January 2020, Griffon amended its credit agreement to increase the total amount available for borrowing from $350,000 to $400,000, extend its maturity date from March 22, 2021 to March 22, 2025 and modify certain other provisions of the facility (the "Credit Agreement").

In November 2019, Griffon announced the development of a next-generation business platform for CPP to enhance the growth, efficiency, and competitiveness of its U.S. operations, and on November 12, 2020, Griffon announced that CPP is broadening this strategic initiative to include additional North American facilities, the AMES UK and Australia businesses, and a manufacturing facility in China.

The expanded focus of this initiative leverages the same three key development areas being executed within our U.S. operations. First, multiple independent information systems will be unified into a single data and analytics platform, which will serve the whole AMES global enterprise. Second, certain AMES global operations will be consolidated to optimize facilities footprint and talent. Third, strategic investments in automation and facilities expansion will be made to increase the efficiency of our manufacturing and fulfillment operations, and support e-commerce growth.

Expanding the roll-out of the new business platform from our AMES U.S. operations to include AMES’ global operations will extend the duration of the project by one year, with completion now expected by the end of calendar year 2023. When fully implemented, these actions will result in annual cash savings of $30,000 to $35,000 (increased from $15,000 to $20,000) and a reduction in inventory of $30,000 to $35,000 (increased from $20,000 to $25,000), both based on fiscal 2020 operating levels.

The cost to implement this new business platform, over the duration of the project, will include one-time charges of approximately $65,000 (increased from $35,000) and capital investments of approximately $65,000 (increased from $40,000). The one-time charges are comprised of $46,000 of cash charges, which includes $26,000 of personnel-related costs such as training, severance, and duplicate personnel costs as well as $20,000 of facility and lease exit costs. The remaining $19,000 of charges are non-cash and are primarily related to asset write-downs.

On November 29, 2019, AMES acquired Vatre Group Limited ("Apta"), a leading United Kingdom supplier of innovative garden pottery and associated products sold to leading UK and Ireland garden centers for approximately $10,500 (GBP 8,750), inclusive of a post-closing working capital adjustment, net of cash acquired. This acquisition broadens AMES' product offerings in the UK market and increases its in-country operational footprint. Apta is expected to contribute $15,000 in revenue in the first 12 months after the acquisition.

In June 2018, Clopay acquired CornellCookson, a leading provider of rolling steel service doors, fire doors, and grilles, for an effective purchase price of approximately $170,000. This transaction strengthened Clopay's strategic portfolio with a line of commercial rolling steel door products to complement Clopay's sectional door offerings in the commercial sector, and expands the Clopay network of professional dealers focused on the commercial market. CornellCookson generated over $200,000 in revenue in its first full year of operations.

In March 2018, we announced the combination of the ClosetMaid operations with those of AMES. ClosetMaid generated over $300,000 in revenue in the first twelve months after the acquisition, and we anticipate the integration with AMES will unlock additional value given the complementary products, customers, warehousing and distribution, manufacturing, and sourcing capabilities of the two businesses.

On September 5, 2017, Griffon announced the acquisition of ClosetMaid and the commencement of the strategic alternatives process for Clopay Plastic Products, beginning the transformation of Griffon.

In October 2017, we acquired ClosetMaid from Emerson Electric Co. (NYSE:EMR) for an effective purchase price of approximately $165,000. ClosetMaid, founded in 1965, is a leading North American manufacturer and marketer of wood and wire closet organization, general living storage and wire garage storage products, and sells to some of the largest home center retail chains, mass merchandisers, and direct-to-builder professional installers in North America. We believe that ClosetMaid is the leading brand in its category, with excellent consumer recognition.

In February 2018, we closed on the sale of our Clopay Plastics Products ("Plastics") business to Berry Global, Inc. ("Berry") for approximately $465,000, net of certain post-closing adjustments, thus exiting the specialty plastics industry that the Company had entered when it acquired Clopay Corporation in 1986. This transaction provided immediate liquidity and positions the Company to improve its cash flow conversion given the historically higher capital needs of the Plastics operations as compared to Griffon’s remaining businesses.

On February 13, 2018, AMES acquired Kelkay, a leading United Kingdom manufacturer and distributor of decorative outdoor landscaping products sold to garden centers, retailers and grocers in the UK and Ireland for approximately $56,118 (GBP 40,452) and contingent consideration of approximately GBP 7,000, of which approximately GBP 2,200 was earned. This acquisition broadened AMES' product offerings in the market and increased its in-country operational footprint. Kelkay contributed approximately $35,000 in revenue in the first twelve months after the acquisition.

In November 2017, Griffon acquired Harper Brush Works, a leading U.S. manufacturer of cleaning products for professional, home, and industrial use, from Horizon Global (NYSE:HZN) for approximately $5,000. This acquisition expanded the AMES line of long-handle tools in North America to include brooms, brushes, and other cleaning products. Harper, as expected, generated approximately $10,000 in revenue in the first twelve months after the acquisition.

During fiscal 2017, Griffon also completed a number of other acquisitions to expand and enhance AMES' global footprint. In the United Kingdom, Griffon acquired La Hacienda, an outdoor living brand of unique heating and garden décor products, in July 2017. The acquisition of La Hacienda, together with the February 2018 acquisition of Kelkay and November 2020 acquisition of Apta, provides AMES with additional brands and a platform for growth in the UK market and access to leading garden centers, retailers, and grocers in the UK and Ireland. In Australia, Griffon acquired Hills Home Living, the iconic brand of clotheslines and home products, from Hills Limited (ASX:HIL) in December 2016 and in September 2017, Griffon acquired Tuscan Path, an Australian provider of pots, planters, pavers, decorative stone, and garden décor products. The Hills and Tuscan Path acquisitions broadened AMES' outdoor living and lawn and garden business, strengthening AMES’ portfolio of brands and its market position in Australia and New Zealand.

We believe these actions have established a solid foundation for continuing organic growth in sales, profit, and cash generation and bolster Griffon’s platforms for opportunistic strategic acquisitions.

<u>Further Information</u>

Griffon posts and makes available, free of charge through its website at *www.griffon.com*, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as well as press releases, as soon as reasonably practicable after such materials are published or filed with or furnished to the Securities and Exchange Commission (the “SEC”). The information found on Griffon's website is not part of this or any other report it files with or furnishes to the SEC.

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

Reportable Segments:

Griffon conducts its operations through three reportable segments:

- Consumer and Professional Products ("CPP") conducts its operations through AMES. Founded in 1774, AMES is the leading North American manufacturer and a global provider of branded consumer and professional tools and products for home storage and organization, landscaping, and enhancing outdoor lifestyles. CPP sells products globally through a portfolio of leading brands including True Temper, AMES, and ClosetMaid.

- Home and Building Products ("HBP") conducts its operations through Clopay. Founded in 1964, Clopay is the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Residential and commercial sectional garage doors are sold through professional dealers and leading home center retail chains throughout North America under the brands Clopay, Ideal, and Holmes. Rolling steel door and grille products designed for commercial, industrial, institutional, and retail use are sold under the CornellCookson brand.

- Defense Electronics conducts its operations through Telephonics Corporation ("Telephonics"), founded in 1933, a globally recognized leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.

Reportable Segments:

CONSUMER AND PROFESSIONAL PRODUCTS

The CPP segment consists of AMES. Founded in Massachusetts in 1774, AMES has the distinction of being one of the oldest companies in continuous operation in the United States. Over its long life, AMES has grown organically and through the acquisition of other leading and historic tool businesses such as True Temper, Union Tools, and Garant. Today, AMES is the leading manufacturer of long-handled tools and landscaping products for homeowners and professionals in North America, and also provides these products in key global markets including Canada, Australia, New Zealand, the United Kingdom, and Ireland. With the addition of ClosetMaid, AMES is also the leading provider of wood and wire closet organization, general living storage, and wire garage storage products in the United States.

Since being acquired by Griffon in 2010, AMES has benefited from strategic acquisitions that have expanded its product portfolio and geographic presence. The ClosetMaid, Southern Patio, and Harper Brush Works acquisitions added to AMES' product categories in North America to include storage and organization, decorative landscaping, and cleaning products. The acquisitions of Northcote, Cyclone, Hills, and Tuscan Path in Australia established AMES as a leading supplier of tools and landscaping categories in the Australian market. As a result of the acquisitions of Kelkay, La Hacienda and Apta, the United Kingdom and Ireland have become new key markets for AMES products.

AMES has approximately 3,800 employees worldwide.

Brands

AMES' brands are among the most recognized across its primary product categories in North America, Australia and the United Kingdom. Its brand portfolio for long-handled tools , outdoor décor, and landscaping product includes AMES®, True Temper®, Garant®, Harper®, UnionTools®, Westmix™, Cyclone®, Southern Patio®, Northcote Pottery™, Nylex®, Hills®, Kelkay®, Tuscan Path®, La Hacienda®, Kelso™, Dynamic Design®™ and Apta®. Contractor-oriented tool brands include Razor-Back® Professional Tools and Jackson® Professional Tools. AMES' home organization, general living storage, and garage storage products are sold primarily under the ClosetMaid® brand.

This strong portfolio of brands enables AMES to build and maintain long-standing relationships with leading retailers and distributors. In addition, given the breadth of its brand portfolio and product category depth, AMES is able to offer specific, differentiated branding strategies for key retail customers. These strategies have focused on enhancement of brand value, with the goal of de-commoditizing AMES products through the introduction of identity and functionality elements that will make each top brand unique, attractive and visually recognizable by the consumer. The visual brand transformation of the AMES® and Razor-Back® brands was completed in 2015, and the True Temper® line roll-out was completed in 2016. In addition to the brands listed, AMES also sells private label branded products, further differentiating AMES in its customer offerings.

Products

AMES manufactures and markets a broad portfolio of long-handled tools, landscaping products, and home organization products. This portfolio contains many iconic brands and is anchored by five core product categories: seasonal outdoor tools, project tools, outdoor décor and watering, home organization, and cleaning products. As a result of brand portfolio recognition, high product quality, industry leading service and strong customer relationships, AMES has earned market-leading positions in its five core product categories. The following is a brief description of AMES' primary product lines:

- ***Seasonal Outdoor Tools***
  - *Long-Handled Tools:* An extensive line of engineered tools including shovels, spades, scoops, rakes, hoes, cultivators, weeders, post hole diggers, scrapers, edgers and forks, marketed under leading brand names including AMES®, True Temper®, UnionTools®, Garant®, Cyclone® and Kelso™, as well as contractor-oriented brands including Razor-Back® Jackson® and Darby™.
  - *Wheelbarrows:* AMES designs, develops and manufactures a full line of wheelbarrows and lawn carts, primarily under the AMES®, True Temper®, Jackson® Professional Tools, UnionTools®, Garant® and Westmix™ brand names. The products range in size, material (poly and steel), tray form, tire type, handle length and color based on the needs of homeowners, landscapers and contractors.

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

- *Pruning:* The pruning line is made up of pruners, loppers, shears, and other tools sold primarily under the True Temper®, Cyclone® and Garant® brand names.

- ***Project Tools***

  - *Striking Tools:* Axes, picks, mattocks, mauls, wood splitters, sledgehammers, pry bars and repair handles make up the striking tools product line. These products are marketed under the True Temper®, Cyclone®, Garant®, Jackson® Professional Tools and Razor-Back® Professional Tools brand names.

  - *Hand Tools:* Hammers, screwdrivers, pliers, adjustable wrenches, handsaws, tape measures, levels, clamps, and other traditional hand tools make up this product line. These products are marketed under the Trojan®, Cyclone® and Supercraft® brand names. In addition, gardening hand tools, such as trowels, cultivators, weeders and other specialty garden hand tools, are marketed under the AMES® brand name.

- ***Outdoor Décor and Watering***

  - *Planters and Lawn Accessories:* AMES is a designer, manufacturer and distributor of indoor and outdoor planters and accessories, sold under the Southern Patio®, Northcote Pottery™, Tuscan Path, La Hacienda®, Hills®, Kelkay® and Dynamic Design®™ brand names, as well as various private label brands. The range of planter sizes (from 6 to 32 inches) is available in various designs, colors and materials.

  - *Garden Hose and Storage:* AMES offers a wide range of manufactured and sourced garden hoses and hose reels under the AMES®, NeverLeak®, Nylex®, and Hills® brand names.

- ***Home Organization**:* AMES designs, manufactures and sells a comprehensive portfolio of wire and wood shelving, containers, storage cabinets and other closet and home organization accessories primarily under the highly-recognized ClosetMaid® brand name and other private label brands. Wire products include wire shelving and hardware, wire accessories and kitchen storage products. Wire product brands include Maximum Load®, SuperSlide® and ShelfTrack®. Wood solutions include closet systems, cube storage, storage furniture and cabinets. Selected wood product brands include MasterSuite®, Suite Symphony®™, ExpressShelf®, Style+®, and SpaceCreations®.

- ***Cleaning Products***: AMES offers a full line of cleaning products for professional, home, and industrial use, including brooms, brushes, squeegees and other cleaning products, primarily under the Harper® brand.

Customers

AMES sells products throughout North America, Australia, New Zealand and Europe through (1) home centers, such as The Home Depot, Inc. (“Home Depot”), Lowe’s Companies Inc. (“Lowe’s”), Rona Inc., Bunnings Warehouse ("Bunnings") and Woodies (with the average length of the relationship with these customers being approximately 30 years); (2) mass market, specialty, and hardware retailers including Wal-Mart Stores Inc. ("Walmart"), Target Corporation ("Target"), Canadian Tire Corporation, Limited ("Canadian Tire"), Costco Wholesale Corporation ("Costco"), Ace, Do-It-Best and True Value Company; (3) industrial distributors, such as W.W. Grainger, Inc. and ORS Nasco, and (4) homebuilders, such as D.R. Horton, KB Home, Lennar and NVR, Inc.

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

Product Development

AMES product development efforts focus on both new products and product line extensions. AMES continually improves existing products as well as develops new products to satisfy consumer needs, expand revenue opportunities, maintain or extend competitive advantages, increase market share and reduce production costs. Products are developed through in-house industrial design and engineering staffs to introduce new products and product line extensions that are timely and cost effective.

Sales and Marketing

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

Raw Materials and Suppliers

AMES' primary raw material inputs include resin (primarily polypropylene and high density polyethylene), wood (particleboard and hardwoods including ash, hickory and poplar logs) and steel (hot rolled, cold rolled, and wire rod). All raw materials are generally available from a number of sources. Certain components are purchased, such as heavy forged components and wheelbarrow tires. Most final assembly is completed internally in order to ensure consistent quality. AMES also sources some finished goods.

Competition

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

The home storage and organizational solutions industry is also highly fragmented. AMES, primarily under the ClosetMaid brands, sells through retail, direct to consumer (e-commerce category) and direct to installer (building) channels and competes with a significant number of companies across each of these unique channels. Principal competition for retail wire products is from Newell Brands, Inc. through their Rubbermaid® product line. FirstService Brands, Inc. sells competing wood solutions under the brand California Closets®, but does not sell through the retail or direct to consumer channels. We believe that AMES' market share in the U.S. is approximately double that of its largest competitors in the home storage and organizational solutions product category.

AMES differentiates itself and provides the best value to customers through its successful history of innovation, dependable supply chain and high on-time delivery rates, quality, product performance, and highly recognized product brands. AMES' size, depth and breadth of product offering, category knowledge, research and development ("R&D") investment, service and its ability to react to sudden changes in demand from seasonal weather patterns, especially during harsh winter months, are competitive advantages. Offshore manufacturers lack sufficient product innovation, capacity, proximity to market and distribution capabilities to service large retailers or to compete in highly seasonal, weather related product categories.

Manufacturing and Distribution

AMES has a combination of internal and external, and domestic and foreign, manufacturing sources from which it sources products for sale in the markets it serves. Principal manufacturing facilities include 644,000 square feet of manufacturing operations in Harrisburg and Camp Hill, Pennsylvania, a 676,000 square foot facility in Ocala, Florida, and a 353,000 square foot manufacturing center in St. Francois, Quebec, Canada. AMES operates smaller manufacturing facilities, including wood mills, at several other locations in the United States, and internationally in Reynosa, Mexico; Jiangmen, China; and Grafton, New South Wales and Wonthaggi, Victoria, both in Australia.

AMES has two principal distribution facilities in the United States, a 1.4 million square foot facility in Carlisle, Pennsylvania and a 400,000 square foot facility in Reno, Nevada. Finished goods are transported to these facilities from AMES' manufacturing sites by both an internal fleet, as well as over the road trucking and rail. Additionally, light assembly is performed at the Carlisle and Reno locations. Smaller distribution centers are also strategically located in the U.S. in Ocala, Florida, Chino, California, Belle Vernon, Pennsylvania and Pharr, Texas, and internationally in Canada, Australia, the United Kingdom and Ireland.

HOME AND BUILDING PRODUCTS

The HBP segment consists of Clopay. Founded in 1964 and acquired by Griffon in 1986, Clopay has grown organically and through acquisitions to become the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Clopay also manufactures a complete line of entry door systems uniquely designed to complement its popular residential garage door styles. The majority of Clopay's sales come from home remodeling and renovation projects, with the balance from commercial construction and new residential housing construction. Sales into the home remodeling market are driven by the aging of the housing stock, existing home sales activity, and the trends of improving both home appearance and energy efficiency.

On June 4, 2018, Clopay acquired CornellCookson, a leading U.S. manufacturer and marketer of rolling steel door and grille products designed for commercial, industrial, institutional and retail use, for $180,000, excluding certain post-closing adjustments. After taking into account estimated tax benefits resulting from the transaction, the effective purchase price was $170,000, subject to certain adjustments. CornellCookson was founded in 1828 as Cornell Iron Works and, in 2008, purchased the Cookson Company, which was founded in 1938, to form CornellCookson. The acquisition of CornellCookson expands Clopay’s existing footprint in the commercial door market and strengthens relationships with professional dealers and installers. Clopay had previously partnered with CornellCookson on customer solutions for over eight years. Consolidating the companies allows Clopay to broaden its existing portfolio of brands, products and customers to serve the commercial market more efficiently with multiple types of doors, and creates additional opportunity to expand our position in adjacent markets. Similar distribution and product composition between the businesses also allows for potential cost savings opportunities across distribution networks and through commodity purchasing.

Clopay has approximately 2,600 employees.

Brands

Clopay brings over 50 years of experience and innovation to the residential and sectional garage door industry, and has over 100 years of experience in the rolling steel industry. Residential and commercial sectional products are sold under market-leading brands including Clopay®, America’s Favorite Garage Doors®, Holmes Garage Door Company® and IDEAL Door®. Clopay commercial rolling steel door brands include Cornell®, Cookson®, CornellCookson® and Clopay®.

Products and Service

Clopay manufactures a broad line of residential sectional garage doors with a variety of options, at varying prices. Clopay offers garage doors made primarily from steel, plastic composite and wood, and also sells related products, such as garage door openers manufactured by third parties. Clopay also offers a complete line of entry door systems uniquely designed to complement its popular residential garage door styles.

Commercial door products manufactured and marketed by Clopay include rolling steel service doors, fire doors, shutters, steel security grilles, and room dividers. Clopay also manufactures and markets commercial sectional doors, which are similar to residential garage doors, but are designed to meet the more demanding performance specifications of a commercial application.

Customers

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

Product Development

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

Clopay operates technical development centers where its research engineers design and develop new products and technologies and perform durability and performance testing of new and existing products, materials and finishes. Clopay continually improves its door offerings through these development efforts, focusing on characteristics such as strength, design, operating performance and durability, and energy efficiency. The process engineering teams also work to develop new manufacturing processes and production techniques aimed at improving manufacturing efficiencies and ensuring quality-made products.

Sales and Marketing

The Clopay sales and marketing organization supports our customers, consults on new product development and aggressively markets door solutions, with a primary focus on the North American market. Clopay maintains a strong promotional presence, in both traditional and digital media.

Clopay customers utilize a proprietary residential door web application, the MyDoor® mobile enabled app, that guides consumers through an easy to use visualization and pricing program, allowing them to select the optimal door for their home. For Clopay's commercial products, Clopay's Commercial Door Quoter (CDQ®™) and CornellCookson's WebGen™ systems are available to assist our professional dealers streamline their quoting and submittal process for greater productivity and backroom efficiency improvement.

Raw Materials and Suppliers

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

Competition

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

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

Manufacturing and Distribution

Clopay's principal manufacturing facilities include 1,480,000 square feet in Troy and Russia, Ohio, 279,000 square feet in Mountain Top, Pennsylvania and 163,000 square feet in Goodyear, Arizona.

On January 31, 2019, Clopay announced a $14,000 investment in facilities infrastructure and equipment at its rolling steel manufacturing location in Mountain Top, Pennsylvania. This project includes a 95,000 square foot expansion to the already existing 184,000 square foot facility, along with the addition of state-of-the-art manufacturing equipment. Through this expansion, the Mountain Top location improved its manufacturing efficiency and shipping operations, as well as increased manufacturing capacity to support full-rate production of new and core products. The project was completed at the end of calendar 2019.

Clopay distributes its products through a wide range of distribution channels, including a national network of 52 distribution centers with a total of approximately 1,100,000 square feet. Additionally, products are sold to over 2,500 independent professional installing dealers and to major home center retail chains including Home Depot and Menards (with the average length of the relationship with these customers being greater than 25 years). Clopay maintains strong relationships with its installing dealers and believes it is the largest supplier of sectional garage doors to the retail and professional installing channels in North America and the largest supplier of rolling steel door products in North America. Clopay is currently the exclusive supplier of residential garage doors throughout North America to Home Depot and Menards.

DEFENSE ELECTRONICS

Defense Electronics consists of Telephonics Corporation ("Telephonics"). Founded in 1933, Telephonics is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions that are deployed across a wide range of land, sea and air applications. Telephonics designs, develops, manufactures and provides logistical support and lifecycle sustainment services to defense, aerospace and commercial customers worldwide. In 2020, approximately 69% of the segment’s sales were to the U.S. Government and agencies thereof, as a prime or subcontractor, 26% to international customers and 5% to U.S. commercial customers. Telephonics is headquartered in Farmingdale, New York and currently has approximately 950 employees.

The U.S. Defense budget for fiscal year (GFY) 2020 was enacted at $722 billion, a 1.3% increase over the prior year. The Department of Defense ("DoD") budget request for fiscal year 2021 is in line with the prior year when excluding natural disaster relief emergency funding enacted in 2020. The 2021 budget request plans for the DoD budget to grow at a compound annual growth rate (“CAGR”) of 1.5% from 2020 through 2025 with continued investments expected in military readiness, modernization, and innovation.

Internationally, demand is growing due to major system capability upgrades in existing systems and re-capitalization of aging assets. The U.S. is the largest exporter of defense equipment in the world, and is expected to remain so for the foreseeable future, with significant increases in defense budgets expected in countries that have historically imported defense products from the U.S. such as Saudi Arabia, UAE, Taiwan, Australia, India, South Korea and Japan, among others.

Domestic and international defense market trends bode well for business opportunities for Telephonics products supporting Imaging and Surveillance Radar Systems, Communications, Surveillance and Border Surveillance.

Telephonics is organized into six primary business lines: Radar, Naval & Cyber Systems, Surveillance, Communications, Systems Engineering and Analysis (SEG), and Telephonics Large Scale Integration (TLSI). In July 2020, we announced that we are exploring strategic options for Telephonics’ SEG business line, which is approximately $30,000 in sales.

- *Radar:* Telephonics provides a wide range of high-performing, lightweight and cost-effective maritime surveillance and weather avoidance radar systems for fixed- and rotary-wing aircraft, Unmanned Aerial Vehicles (UAVs) and shipboard platforms to the U.S. Government and numerous international defense agencies. Telephonics maritime surveillance radars offer advanced features such as Ground Moving Target Indicator (GMTI), Synthetic Aperture Radar (SAR), Inverse Synthetic Aperture Radar (ISAR), Automatic Identification System (AIS) and weather avoidance.

- *Naval & Cyber Systems:* As a global leader for maritime surveillance radars, Telephonics is the sole provider of the US Navy’s AN/APS-153 multi-mode radar and the communications suite within the MH-60R/S multi-mission helicopters. Telephonics is developing the next generation multi-mode maritime and over-land surveillance AESA radar known as MOSAIC®. Cyber Systems focuses on ISR aircraft integration design and services with a facility that includes a 7,000 square foot hanger and a Sensitive Compartmented Information Facility (SCIF) capable of supporting various customer and Government agencies programs.

- *Surveillance:* Telephonics is a global leader in Identification Friend or Foe (IFF), Monopulse Secondary Surveillance Radars (MSSR) and Air Traffic Control (ATC) systems enabling military and civilian air traffic controllers to effectively identify aircraft and vehicles as friendly. Telephonics provides both equipment and supporting services required to safely and reliably control flight operations. These systems are used by the U.S. Army, U.S. Navy, U.S. Air Force, U.S. Marines, Federal Aviation Administration ("FAA"), NATO and numerous international defense agencies including those of Japan and South Korea. They have been fielded globally in a wide range of ground, air and sea-based applications.

- *Communications:* Telephonics' advanced wired and wireless communication systems provide the digital backbone for defense and civil platforms worldwide, including fixed- and rotary-wing aircraft, lighter-than-air aircraft and ground control shelters. These systems are designed to meet stringent customer requirements to support adaptability to special missions and communications protocol requirements. Telephonics' vehicle-based intercommunications systems deliver traditional intercom system capabilities while incorporating software-defined features, including an open architecture for integration into vehicle C4 (command, control, communications and computing) systems, networked communications gateways and combat vehicles. Commercial audio products and headsets are utilized worldwide in a wide range of military and civilian applications, including audiometric testing and onboard flight entertainment. Telephonics communications systems are fielded within the U.S. Army, U.S. Navy, U.S. Air Force, U.S. Marines and numerous international defense agencies. These systems are also sold to aerospace manufacturers, commercial airlines and audiometric original equipment manufacturers.

- *Systems Engineering and Analysis (SEG):* SEG provides sophisticated, highly technical engineering and analytic support to customers including the Missile Defense Agency, AEGIS Ballistic Missile Defense Program, Program Executive Offices for Integrated Warfare Systems and Ships, U.S. Naval Surface Warfare Centers, Marine Corps System Command and the U.S. Army Aviation and Missile Command, among others. As a leading provider of combat, radar and missile systems engineering and analysis, SEG is a key source of systems engineering expertise for the U.S. integrated air and missile defense initiatives. In addition to government program offices, SEG works extensively with national laboratories, the Intelligence Community and prime contractors.

- *Telephonics Large Scale Integration (TLSI):* TLSI has designed nearly 400 mixed-signal custom Application Specific Integrated Circuits (ASICs) for customers in the automotive, industrial, defense/avionics and smart energy markets. TLSI works with its customers' technical teams, taking complete responsibility for the ASIC development process, from the initial ASIC specification definition through qualification and volume production, to meet the most stringent customer program requirements. Over 10 million ASICs are shipped every year.

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

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

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

Programs and Products

Based on long-established relationships supported by existing contractual arrangements, Telephonics is a first-tier supplier to prime contractors in the defense industry such as Lockheed Martin Corporation ("Lockheed Martin", which includes Sikorsky Aircraft), The Boeing Company ("Boeing"), Northrop Grumman Corporation ("Northrop Grumman"), Oshkosh Corporation ("Oshkosh"), Airbus Military, Airbus Helicopters, Leonardo (AgustaWestland) Helicopters, and SAAB (with the average length of the relationship with these customers being greater than 20 years), and is a prime contractor to the U.S. Department of Defense and FAA. The significance of each of these customers to Telephonics’ revenue fluctuates on an annual basis, based on the timing and funding of the Original Equipment Manufacturers (“OEM”) contract award, and the technological scope of the work required. Key products include maritime radars, identification friend or foe systems, mobile surveillance and communication systems. The significant contraction and consolidation in the U.S. and international defense industry provides opportunities for established first-tier suppliers to capitalize on existing relationships with major prime contractors and to play a larger role in defense systems development and procurement for the foreseeable future.

Telephonics successfully leveraged its core Surveillance technologies to develop a solution, now fielded by the FAA as a part of the Common Terminal Digitizer (CTD) program, at numerous air surveillance radar sites across the United States. Telephonics expects to continue to leverage its technology to improve the value proposition offered to future FAA radar infrastructure upgrade programs.

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

Backlog

The funded backlog for Telephonics approximated $380,000 at September 30, 2020, compared to $389,300 at September 30, 2019. Approximately 67% of the current backlog is expected to be filled in the next 12 months.

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

Customers

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

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

Research and Development (R&D)

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

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

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

Telephonics is currently investing in an Active Electronically Scanned Array (AESA) based radar solution to address emerging requirements in the maritime and overland radar markets. Continued investments in the Surveillance product portfolio are expected to result in market penetration opportunities in the ground tactical markets with small form factor passive and active IFF solutions.

Sales and Marketing

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

Competition

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

Manufacturing Facilities

Telephonics' manufacturing facilities are located in the U.S., with significant facilities located in New York and North Carolina.

<u>Clopay Plastic Products - Discontinued Operations</u>

On February 6, 2018, we completed the sale of our Plastics business to Berry Global Group, Inc. for approximately $465,000, net of certain post-closing adjustments. As a result, Griffon classified the results of operations of the Plastics business as discontinued operations in the Consolidated Statements of Operations for all periods presented and classified the related assets and liabilities associated with the discontinued operations in the consolidated balance sheets. All results and information presented exclude Plastics unless otherwise noted. Plastics is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies. See Note 7, Discontinued Operations.

<u>Griffon Corporation</u>

Employees

As of September 30, 2020, Griffon and its subsidiaries employ approximately 7,400 people located primarily throughout the U.S., Canada, the United Kingdom, Australia, Mexico and China. Generally, the total number of employees of Griffon and its subsidiaries does not significantly fluctuate throughout the year. However, acquisition activity or the opening of new branches or lines of business may increase the number of employees or fluctuations in the level of Griffon's business activity, which could in turn require staffing level adjustments in response to actual or anticipated customer demand.

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

In managing its human capital resources, Griffon aims to attract a qualified workforce through an inclusive and accessible recruiting process that utilizes online recruiting platforms, campus outreach, internships and job fairs. Griffon also seeks to retain employees by offering competitive wages, benefits and training opportunities, as well as promoting a safe and healthy workplace. Griffon and all of its businesses strictly comply with all applicable state, local and international laws governing nondiscrimination in employment in every location in which Griffon and its businesses have facilities. This applies to all terms and conditions of employment, including recruiting, hiring, placement, promotion, termination, layoff, recall, transfer, leaves of absence, compensation and training. All applicants and employees are treated with the same high level of respect regardless of their gender, ethnicity, religion, national origin, age, marital status, political affiliation, sexual orientation, gender identity, disability or protected veteran status.

The COVID-19 pandemic presented unprecedented challenges in many parts of our businesses and operations, including with respect to our most valuable asset - our people. In response, we developed and implemented new procedures and protocols to minimize the risk to the health and safety of our employees while allowing us to continue to operate our facilities and provide high quality products to our customers on a timely basis. Employees that could work from home were strongly encouraged (and in some cases, required) to do so in order to minimize the number of employees in our facilities. For onsite employees, we implemented protocols for social distancing, sanitation and mask-wearing. We developed systems and purchased new equipment to facilitate the efficient sanitation and disinfection of all work areas. We reconfigured work processes to allow additional spacing between associates whenever possible; eliminated seating in common areas of many buildings to allow for appropriate distancing; staggered shifts and start, stop and break times; and at many facilities we began monitoring temperatures of all employees entering the facility. We also restricted visitors and pre-screened all contractors who required access to our facilities. We implemented appreciation award programs for many of our U.S. employees who continued to work onsite during the pandemic. Throughout the pandemic, we have consistently been able to meet our customers’ demands for our products, while at the same time making the necessary investments to ensure that we prioritize the health, safety and welfare of our employees.

Regulation

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

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

Customers

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue from continuing operations. In 2020:

a. The U.S. Government and its agencies, through prime and subcontractor relationships, represented 10% of Griffon's consolidated revenue and 69% of DE revenue.

b. Home Depot represented 17% of Griffon's consolidated revenue, 27% of CPP's revenue and 12% of HBP's revenue.

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

Seasonality

Griffon's revenue and income are generally lowest in our first and fourth quarters ending December 31, and September 30, respectively, and highest in our second and third quarters ending March 31, and June 30, respectively, primarily due to the seasonality within the AMES and Clopay businesses. In 2020, 53% of AMES' sales occurred during the second and third quarters compared to 56% and 57% in 2019 and 2018, respectively. In 2020, as a result of the COVID-19 pandemic, sales orders shifted somewhat into the third and fourth quarters resulting in revenue increasing in these two quarters to 55% of 2020 sales. Clopay's business is driven by renovation and construction during warm weather, which is generally at reduced levels during the winter months, generally in our second quarter. Telephonics revenue is generally driven by the delivery requirements of its customers; accordingly, Telephonics will often have increased revenue in the latter half of the year due to the U.S. government's annual budget cycle.

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

Financial Information About Geographic Areas

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

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

Griffon's non-U.S. businesses are primarily in Canada, Australia, the United Kingdom, Mexico and China.

Research and Development

Griffon's businesses are encouraged to improve existing products as well as develop new products to satisfy customer needs; expand revenue opportunities; maintain or extend competitive advantages; increase market share and reduce production costs. R&D costs, not recoverable under contractual arrangements, are charged to expense as incurred.

Intellectual Property

Griffon follows a practice of actively protecting and enforcing its proprietary rights in the U.S. and throughout the world where Griffon's products are sold. All intellectual property information presented in this section is as of September 30, 2020.

Trademarks are of significant importance to Griffon's AMES and Clopay businesses. With 50 years of experience and innovation in the garage door industry, and over 100 years of experience in the rolling steel door industry, Clopay has a significant level of goodwill in its strong family of brands, including: Clopay®, America's Favorite Doors®; Holmes Garage Door Company®; IDEAL Door®; and the Cornell®, Cookson®, and CornellCookson® commercial door brands. Principal global and regional trademarks used by AMES for its tool and landscape products include AMES®, True Temper®, Garant®, Harper®, UnionTools®, Westmix™, Cyclone®, Southern Patio®, Northcote Pottery™, Nylex®, Hills®, Kelkay®, Tuscan Path®, La Hacienda®, Kelso™, and Dynamic Design®, as well as contractor-oriented brands including Razor-Back® Professional Tools and Jackson® Professional Tools. Storage and home organization brands within AMES include ClosetMaid®, MasterSuite®, Suite Symphony®, Cubeicals®, ExpressShelf®, SpaceCreations®, Maximum Load®, SuperSlide® and ShelfTrack®. The AMES and Clopay businesses have approximately 1,378 registered trademarks and approximately 263 pending trademark applications around the world. Griffon's rights in these trademarks endure for as long as they are used and registered.

Patents are also important to the AMES and Clopay businesses. Clopay holds approximately 36 issued patents and 28 pending patent applications in the U.S., as well as approximately 12 and 22 corresponding foreign patents and patent applications, primarily related to garage door system components and operation. AMES protects its designs and product innovation through the use of patents, and currently has approximately 322 issued patents and approximately 50 pending patent applications in the U.S., as well as approximately 280 and 49 corresponding foreign patents and patent applications, respectively. Design patents are generally valid for fourteen years, and utility patents are generally valid for twenty years, from the date of filing. Griffon's patents are in various stages of their terms of validity.

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

Environmental, Social and Governance

Griffon and its operating companies have taken into account environmental, social and governance (ESG) considerations in the management of our businesses for years. This year, Griffon formalized its ESG commitment with a written policy, committing the Company to protecting the environment and our workers, and to ethical and transparent behavior in our business relationships. This policy can be found on the Griffon website at www.griffon.com. The new ESG section of our website also provides details on some of the Company's efforts and commitments in the environmental, social and governance areas as well as a statement from Ronald J. Kramer, our Chief Executive Officer, reinforcing management's strong support for our ESG efforts.

Griffon has assessed the environmental risk from its operations and has focused its efforts to date on areas with the potential to have the greatest environmental impact. The company sources sustainable hardwoods for its various wood products. Where available, we use recycled materials to construct our products, and we continuously improve our packaging to reduce both volume and environmental impact. For example, bags used for Ames' Kelkay aggregate products in the UK are made from plant-based materials, and not from petroleum. Griffon has made a focused effort to reduce carbon emissions by reducing electricity and natural gas usage at its operating facilities. Further efforts to reduce our carbon footprint are underway by considering fuel consumption in the planning of our deliveries and the selection of delivery contractors and vehicles. Our Clopay business helps its customers reduce their own carbon footprints by providing garage doors that meet LEED (Leadership in Energy and Environmental Design) building construction standards. While Griffon's facilities are not large consumers of water, we routinely examine options to reduce water usage or reuse water at our facilities. Ames used recycled Ames and Closetmaid tools and scrap materials in the construction of the new Ames and Closetmaid headquarters facility in the Orlando, Florida area. Over the years, Griffon operating companies have reduced the use of solvents and other chemicals and now rarely generate hazardous waste of any kind.

Our operating companies are involved in the local communities in which they operate, where we have chosen to expand production facilities rather than outsource production. We are involved in more than 100 charitable and community organizations, including well known national concerns such as Habitat for Humanity, Boys and Girls Clubs and the American Cancer Society, as well as local groups such as garden clubs. Our communities know that they can count on us in a crisis. For example, we routinely provide products and labor, as well as donations, to crisis relief organizations to help with relief efforts such as the camp fire effort in California; tornado relief in Dayton Ohio; and Hurricane Sandy relief in the New York metropolitan area; and we have participated in tool bank disaster services and donated regularly to the American Red Cross. We manufacture products that save lives, including our radars supporting U.S. Coast Guard search and rescue efforts, elevator fire prevention products from Clopay, and dock door barriers that prevent injuries relating to loading dock operation. With respect to the COVID-19 pandemic, we are proud of our efforts to keep our facilities safe, which started very early in the crisis and have been continuously reviewed, upgraded and improved, and have allowed nearly all of our facilities around the globe to stay open and continue to serve our customers, uninterrupted.

Over the last three years, we have invested nearly four million dollars in capital improvements relating to employee safety and health. These improvements include major upgrades to our loading and unloading operations (which had been the source of a significant portion of our worker injuries), ergonomic improvements, machine guarding and elimination of certain high-risk repetitive jobs. We have seen significant reductions in both the number and severity of employee injuries in recent years. Griffon has also invested over one million dollars in improvements to employee welfare facilities, such as break areas and cafeterias. We view our employees as more than just workers. Through our Employee Stock Ownership Plan, our U.S. employees own approximately eleven percent of Griffon stock. Our businesses engage in a variety of outreach programs in the various communities in which we operate to recruit new employees at all levels. These programs involve high schools and vocational schools, as well as colleges and universities, and often include internships as a means for potential new employees to experience what it is like to be part of our team. We also have a variety of onboarding programs, onsite job training programs, leadership development programs, and tuition reimbursement and education assistance policies, to further the development and advancement of our employees.

Our operating companies use on-site inspections and specific contractual terms to manage our supply chain operations to require compliance with environmental and social laws and regulations, as well as our policies in these areas, including with respect to human rights, child labor, slave labor and unsafe working conditions. Telephonics requires that its subcontractors and suppliers periodically certify adherence to various Telephonics' policies, such as those relating to human trafficking, corporate ethics and the prohibition of gratuities. All significant Ames suppliers must periodically submit to a Factory Compliance and Capacity Assessment, which evaluates not only quality control and vendor capabilities, but assesses to what extent each supplier places an emphasis on environmental, labor and social considerations in the operation of its business. In China, where Ames both operates a manufacturing facility and sources materials and products from third parties, Ames has dedicated compliance personnel who report directly into Ames' Vice President and General Counsel.

Honesty, transparency, and ethical practices have been ordinary course at Griffon for years, and we continue to review and upgrade our programs in these areas. Our Code of Business Ethics and Conduct, to which every employee certifies annually, requires that each and every employee conduct business to the highest ethical standards. Any acts of bribery are strictly prohibited, as is human trafficking and activities supporting human trafficking, such as the use of conflicts minerals. The *Code* prohibits all business courtesies except for those with an insignificant value, and even then, only under limited circumstances. Our Corporate Governance Guidelines are published on our website. While the guidelines require that a majority of directors be independent, currently all of our directors our independent except our CEO and our President (constituting over 85% of our directors). Griffon has appointed a lead independent director and has four principal board committees - Audit, Compensation, Nominating and Corporate Governance, and Finance - each of which has its responsibilities set forth in a charter available on the Griffon website.

We expect each of our 7,400 employees around the world to work hard to deliver outstanding products to our customers and to deliver value to our shareholders. And, while doing so, we expect them to respect and adhere to our environmental, social and governance commitments and policies, and to make our company a place at which all employees are proud to come to work every day.

Executive Officers of the Registrant

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

Name	Age	Positions Held and Prior Business Experience
Ronald J. Kramer	**62**	Chief Executive Officer since April 2008, Chairman of the Board since January 2018, Director since 1993, Vice Chairman of the Board from November 2003 to January 2018. From 2002 through March 2008, President and a Director of Wynn Resorts, Ltd. (Nasdaq:WYNN), a developer, owner and operator of destination casino resorts. From 1999 to 2001, Managing Director at Dresdner Kleinwort Wasserstein, an investment banking firm, and its predecessor Wasserstein Perella & Co. Member of the board of directors of Business Development Corporation of America.
Robert F. Mehmel	**58**	Director since May 2018, President and Chief Operating Officer since December 2012. From August 2008 to October 2012, President and Chief Operating Officer of DRS Technologies (Formerly NYSE:DRS) ("DRS"), a supplier of integrated products, services and support to military forces, intelligence agencies and prime contractors worldwide. From May 2006 to August 2008, Executive Vice President and Chief Operating Officer of DRS and from January 2001 to May 2006, Executive Vice President, Business Operations and Strategy, of DRS.
Brian G. Harris	**51**	Senior Vice President and Chief Financial Officer since August 2015. From November 2012 to July 2015, Vice President and Controller of Griffon. From July 2009 to July 2015, Griffon's Chief Accounting Officer. From May 2005 to June 2009, Assistant Controller of Dover Corporation, a diversified global manufacturer (NYSE:DOV). Prior to this time, held various finance and accounting roles with Hearst Argyle Television (Formerly NYSE:HTV), John Wiley and Sons, Inc. (NYSE:JW.A) and Arthur Andersen, LLP.
Seth L. Kaplan	**51**	Senior Vice President, General Counsel and Secretary since May 2010. From July 2008 to May 2010, Assistant General Counsel and Assistant Secretary at Hexcel Corporation (NYSE:HXL), a manufacturer of advanced composite materials for space and defense, commercial aerospace and wind energy applications. From 2000 to July 2008, Senior Corporate Counsel and Assistant Secretary at Hexcel. From 1994 to 2000, associate at the law firm Winthrop, Stimson, Putnam & Roberts (now Pillsbury Winthrop Shaw Pittman LLP).

Item 1A. Risk Factors

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

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

Risks Related to Our Business

The COVID-19 outbreak could adversely impact our results of operations.

The future impact of the COVID-19 outbreak and the spread of the pathogen on a global basis could adversely affect our businesses in a number of respects, although the extent, nature and timing of such impact cannot be predicted as of the date of this filing. The COVID-19 outbreak has led countries around the world, as well as most states in the U.S., to implement restrictions from time-to-time relating to the operation of almost all types of businesses. Within the U.S., the standards vary from state to state, but typically require all but "critical", "essential" or "life-sustaining" businesses to close all offices and facilities. We believe, based on the various standards published to date, that our businesses meet the requisite standard in all U.S states. We also believe that our businesses meet the applicable standards to remain open in Canada, the United Kingdom, Ireland and Australia. As of the date of this filing, all of our manufacturing and distribution facilities in the U.S., Canada, the United Kingdom, Ireland, Australia and China are operating, although some of them are operating at reduced capacity as a result of our implementation of procedures designed to prevent the spread of the virus, such as social distancing and staggered shifts. However, government actions taken based on the changing nature of the outbreak in the U.S. or in other countries in which we do business, as well as the changing of standards regarding what type of facilities are permitted to remain open and evolving interpretations of existing standards, could result in additional closures of Griffon facilities.

To date, our supply chain has not experienced significant disruptions, and at this time we do not anticipate any such significant disruptions in the near term. However, our suppliers could be required by government authorities to temporarily cease operations in accordance with the various restrictions discussed above; might be limited in their production capacity due to complying with restrictions relating to the operation of businesses during the COVID-19 pandemic; or could suffer their own supply chain disruptions, impacting their ability to continue to supply us with the quantity of materials required by us.

If as a result of the COVID-19 outbreak, including a potential resurgence of the virus in the fall and winter months, governments take additional protective actions, or extend the time period for existing protective actions, it may have a material adverse impact on Griffon's businesses and operating results. This could include additional closures of our facilities of an unknown duration, or the closure of the facilities of our customers, suppliers, or other vendors in our supply chain. Any disruption of our supply chain or the businesses of our customers could adversely impact our businesses and results of operations. The COVID-19 outbreak has recently worsened in many U.S. states, and as a result, certain states have put in place new restrictions regarding the operation of many types of businesses or have tightened up restrictions already in place. Many medical experts believe that during the winter, as the weather gets colder and more people spend time with others indoors, the COVID-19 infection rate will worsen. In addition, the widespread public health crisis caused by the COVID-19 outbreak has adversely impacted the economies and financial markets worldwide, resulting in an economic downturn that has adversely impacted many businesses, including ours. The extent and duration of the impact on the global economy and financial markets from the COVID-19 outbreak is difficult to predict, and the extent to which the COVID-19 outbreak will negatively affect us and the duration of any potential business disruption is uncertain. The impact to our results will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of the COVID-19 outbreak and the actions taken by authorities and other entities to contain the COVID-19 outbreak or treat its impact, and the impact of such actions, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our operating results. To the extent the COVID-19 outbreak adversely affects our businesses, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks factors such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness, as described in more detail below.

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

The current worldwide economic uncertainty and market volatility could continue to have an adverse effect on Griffon during 2021, particularly within the CPP and HBP segments, which is linked to the U.S. housing and the commercial property markets, and the U.S. economy in general. Purchases of many CPP and HBP products are discretionary for consumers who are generally more willing to purchase products during periods in which favorable macroeconomic conditions prevail. Disruptions in the credit markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the credit markets. These conditions could make it more difficult to obtain additional credit on favorable terms for investments in current businesses or for acquisitions, or could render financing unavailable; in addition, while we do not have any near term debt maturities, if these conditions persist, we may have difficulty refinancing our debt when it comes due. Griffon is also exposed to certain fundamental economic risks including a decrease in the demand for the products and services it offers or a higher likelihood of default on its receivables.

Adverse trends and general economic conditions, especially those that relate to construction and renovation, will impact Griffon's business.

The CPP and HBP businesses serve residential and commercial construction and renovation, and are influenced by market conditions that affect these industries. For the year ended September 30, 2020, approximately 47% and 39% of Griffon's consolidated revenue was derived from the CPP and HBP segments, respectively, which was dependent on renovation of existing homes, new home construction, and commercial non-residential construction, repair and replacement. The strength of the U.S. economy, the age of existing home stock, job growth, interest rates, consumer confidence and the availability of consumer credit, as well as demographic factors such as migration into the U.S. and migration of the population within the U.S., have an effect on CPP and HBP. To the extent market conditions for residential or commercial construction and renovation are weaker than expected, this will likely have an adverse impact on the performance and financial results of the CPP and HBP businesses.

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

Griffon’s operating companies face intense competition in the markets they serve. Griffon competes primarily on the basis of technical expertise, product differentiation, quality of products and services, and price. There are a number of competitors to Griffon, some of which are larger and have greater resources than Griffon’s operating companies. Griffon's operating companies may face additional competition from companies that operate in countries with significantly lower operating costs.

Many CPP and HBP customers are large mass merchandisers, such as home centers, warehouse clubs, discount stores, commercial distributors and e-commerce companies. The growing share of the market represented by these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to the increase of multi-category retailers and e-commerce companies that have strong negotiating power with suppliers. Many of these retailers import products directly from foreign suppliers to source and sell products under their own private label brands to compete with CPP and HBP products and brands, which puts increasing price pressure on the products of these businesses. In addition, the intense competition in the retail and e-commerce sectors, combined with the overall increasingly competitive economic environment, may result in a number of customers experiencing financial difficulty, or failing in the future. The loss of, or a failure by, one of CPP’s or HBP’s significant customers could adversely impact our sales and operating cash flows.

To address all of these challenges, CPP and HBP must be able to respond to these competitive pressures, and the failure to respond effectively could result in a loss of sales, reduced profitability and a limited ability to recover cost increases through price increases. In addition, there can be no assurance that Griffon will not encounter increased competition in the future, which could have a material adverse effect on Griffon’s financial results.

The loss of large customers can harm financial results.

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. Home Depot, Lowe’s and Bunnings are significant customers of CPP, and Home Depot and Menards are significant customers of HBP. Home Depot accounted for approximately 17% of consolidated revenue, 27% of CPP's revenue and 12% HBP's revenue for the year ended September 30, 2020. The U.S. Government and its agencies and subcontractors, including Lockheed Martin and Boeing, is a significant customer of DE, and together accounts for approximately 10% of consolidated revenue and 69% of DE segment revenue (Lockheed Martin and Boeing each individually represent less than 10% of consolidated revenue inclusive of such sales to the U.S. Government). Future operating results will continue to substantially depend on the success of Griffon’s largest customers, as well as Griffon’s relationships with them. Orders from these customers are subject to fluctuation and may be reduced materially due to changes in customer needs or other factors. Any reduction or delay in sales of products to one or more of these customers could significantly reduce Griffon’s revenue. Griffon’s operating results will also depend on successfully developing relationships with additional key customers. Griffon cannot assure that its largest customers will be retained or that additional key customers will be recruited. Also, both CPP and HBP extend credit to its customers, which exposes it to credit risk. The largest customer accounted for approximately 28%, 6% and 18% of the net accounts receivable of CPP, HBP and Griffon’s net accounts receivable as of September 30, 2020, respectively. If this customer were to become insolvent or otherwise unable to pay its debts, the financial condition, results of operations and cash flows of CPP, HBP and Griffon could be adversely affected.

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

CPP and HBP rely on a limited number of domestic and foreign companies to supply components and manufacture certain of its products. The percentage of CPP and HBP worldwide sourced finished goods as a percent of revenue approximated 31% and 9%, respectively, in 2020. The percentage of CPP and HBP's worldwide sourced components as a percent of cost of goods sold approximated 10% and 17%, respectively, in 2020. Reliance on third party suppliers and manufacturers may reduce control over the timing of deliveries and quality of both CPP and HBP products. Reduced product quality or failure to deliver products timely may jeopardize relationships with certain of CPP's and HBP's key customers. In addition, reliance on third party suppliers or manufacturers may result in the failure to meet CPP and HBP customer demands. Continued turbulence in the worldwide economy may affect the liquidity and financial condition of CPP and HBP suppliers. Should any of these parties fail to manufacture sufficient supply, go out of business or discontinue a particular component, alternative suppliers may not be found in a timely manner, if at all. Such events could impact the ability of CPP and HBP to fill orders, which could have a material adverse effect on customer relationships.

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

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

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

CPP is subject to risks from sourcing from international locations, especially China

CPP's business is global, with products and raw materials sourced from, manufactured in and sold in multiple countries around the world. There are risks associated with conducting a business that may be impacted by political and other developments associated with international trade. In this regard, certain products sold by CPP in the United States and elsewhere are sourced from China; and raw materials used by CPP may be sourced from China and therefore may have their prices impacted by tariffs imposed on trade between the United States and China.

The sourcing of CPP finished goods, components and raw materials from China are generally subject to supply agreements with Chinese companies. China does not have a well-developed, consolidated body of laws governing agreements with international customers. Enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The relative inexperience of China's judiciary on matters of international trade in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations in China may be subject to government policies reflecting domestic political changes.

Because of the volume of sourcing by CPP from China, the ongoing trade dispute between the U.S. and China, including the imposition of tariffs on various Chinese imports into the U.S. at various times since March 2018, represents a continuing risk to CPP revenue and operating performance. The United States entered into what is described as "Phase 1" trade agreement with China on January 15, 2020, which reduces some existing tariffs that had been imposed and defers proposed increases of the tariff rate on an additional $250 billion of Chinese goods from 25% to 30% that had been planned for October 15, 2019, and proposed 15% tariffs on an additional $160 billion of a wide range of goods and materials imported from China to be effective December 15, 2019. Under the Phase 1 agreement, existing 25% tariffs previously imposed on $250 billion of Chinese goods will remain in place, while a 15% tariff on another $120 billion of Chinese goods has been reduced to 7.5%. In response, China has imposed tariffs on certain U.S. products, some of which are being reduced as part of the Phase 1 agreement. China may take additional actions if additional U.S. tariffs are reduced or imposed. On May 8, 2020, the two countries reaffirmed their Phase 1 trade agreement notwithstanding the COVID-19 pandemic. In view of potential discussions between the Chinese and U.S. governments on a second phase agreement, for which discussions only among trade negotiators are currently scheduled, the ultimate level of tariffs, the ultimate scope of them, and whether or how the proposed additional tariffs will impact our business is uncertain. The imposition of additional tariffs by the U.S. government on various steel and aluminum finished goods, as well as a variety of resins, fabrics and wood products could materially affect our operations. As a result of these tariffs and the fluid nature of ongoing trade negotiations, we intend to continue to manage our China supply base, which may include raising prices on certain goods. This may in turn result in reduced sales or the loss of customers and could impact our operating performance.

The continuing political and economic conflicts between U.S. and China have resulted in and may continue to cause retaliatory policies from both countries, including a recent executive order issued by the U.S. President eliminating the preferential trade status of Hong Kong in response to China's action to impose new security measures and regulation on Hong Kong. We cannot predict what new and additional retaliatory policies and regulations may be implemented by the Chinese government in response to U.S. actions, and such policies and regulations may adversely affect our business operations in China.

CPP and HBP operations are also subject to the effects of international trade agreements and regulations such as the United States-Mexico-Canada Agreement, and the activities and regulations of the World Trade Organization. Although these trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country, trade agreements can also adversely affect CPP and HBP businesses. For example, trade agreements can result in setting quotas on products that may be imported from a particular country into key markets including the U.S., Canada, Australia and the United Kingdom, or may make it easier for other companies to compete by eliminating restrictions on products from countries where CPP and HBP competitors source products.

The ability of CPP and HBP to import products in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes, severe weather or increased homeland security requirements in the U.S. and other countries, as well as the potential for increased costs due to currency exchange fluctuations. These issues could delay importation of products or require CPP and HBP to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on CPP and HBP business and financial condition.

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

Griffon's revenue and earnings are generally lowest in our first and fourth quarters ending December 31, and September 30, respectively, and highest in the second and third quarters ending March 31, and June 30, respectively, primarily due to the seasonality of the AMES business. In 2020, 53% of AMES' sales occurred during the second and third quarters compared to 56% and 57% in 2019 and 2018, respectively. In 2020, as a result of the COVID-19 pandemic, sales orders shifted somewhat into the third and fourth quarters resulting in revenue increasing in these two quarters to 55% of 2020 sales. Clopay’s business is driven by residential renovation and construction, which occurs more during warm weather, than during the winter months, and so revenues and earnings of Clopay are generally lower in the second quarter. Telephonics historically has had higher revenue and earnings in the second half of Griffon's fiscal year ending September 30 (although this has not always been the case).

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

Unionized employees could strike or participate in a work stoppage.

At September 30, 2020, Griffon employed approximately 7,400 people on a full-time basis, approximately 6% of whom are covered by collective bargaining or similar labor agreements (all within Telephonics and CPP). If unionized employees engage in a strike or other work stoppage, or if Griffon is unable to negotiate acceptable extensions of agreements with labor unions, a significant disruption of operations and increased operating costs could occur. In addition, any renegotiation or renewal of labor agreements could result in higher wages or benefits paid to unionized employees, which could increase operating costs and as a result have a material adverse effect on profitability.

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

Telephonics sells products to the U.S. government and its agencies both directly and indirectly as a first-tier supplier to prime contractors in the defense industry such as Lockheed Martin, Boeing and Northrop Grumman. In the year ended September 30, 2020, U.S. government contracts and subcontracts accounted for approximately 10% of Griffon’s consolidated revenue. Contracts involving the U.S. government may include various risks, including:

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

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

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

Telephonics’ business could be adversely affected by a government shutdown

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

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

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

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

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

Griffon's business could be negatively affected by cyber or other security threats or other disruptions.

Griffon and its operating companies are subjected to cyber and other security threats common to U.S. businesses. As a U.S. defense contractor, Telephonics, in particular, may be the target of cyber security threats to its information technology infrastructure and unauthorized attempts to gain access to sensitive or highly confidential information that could compromise U.S. security. The types of threats could vary from attacks common to most industries to more advanced and persistent, highly organized adversaries who target Telephonics because of national security information in its possession. Individuals and groups of hackers and sophisticated organizations, including organizations sponsored by foreign countries, may use a wide variety of methods, such as deploying malicious software or exploiting vulnerabilities in hardware, software, or other infrastructure in order to gain access to our networks or using social engineering techniques to induce our employees to disclose passwords or other sensitive information or take other actions to gain access to our data. Inadequate account security practices may also result in unauthorized access to confidential data. For example, system administrators may fail to timely remove employee account access when no longer appropriate. Employees or third parties may also intentionally compromise our systems, security or confidential information.

If Telephonics is unable to protect sensitive information, its customers or governmental authorities could question the adequacy of its security processes and procedures and its compliance with evolving government cyber security requirements for government contractors. Due to the evolving nature of these security threats, and the increasing difficulty of detecting and defending against them, the risk and impact of any future incident cannot be predicted.

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

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

Making strategic acquisitions is a significant part of Griffon’s growth plans. The ability to successfully complete acquisitions depends on identifying and acquiring, on acceptable terms, companies that either complement or enhance currently held businesses or expand Griffon into new profitable businesses, and, for certain acquisitions, obtaining financing on acceptable terms. Additionally, Griffon must properly integrate acquired businesses in order to maximize profitability. The competition for acquisition candidates is intense and Griffon cannot assure that it will successfully identify acquisition candidates and complete acquisitions at reasonable purchase prices, in a timely manner, or at all. Further, there is a risk that acquisitions will not be properly integrated into Griffon’s existing structure. Griffon closed the acquisitions of La Hacienda, Tuscan Path, ClosetMaid and Harper Brush in the months of July through November 2017, Kelkay in February 2018, CornellCookson in June 2018 and Apta in November 2019. This integration risk may be exacerbated when numerous acquisitions are consummated in a short time period.

In implementing an acquisition growth strategy, the following may be encountered:

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

An unsuccessful implementation of Griffon’s acquisition growth strategy, including the failure to properly integrate acquisitions, could have an adverse impact on Griffon’s results of operations, cash flows and financial condition. We may also incur debt or assume contingent liabilities in connection with acquisitions, which could impose restrictions on our business operations and harm our operating results.

Risks Related to Our Indebtedness

While Griffon’s senior notes, which have limited covenants, are not due until 2028, and while its $400 million revolving line of credit, which is largely undrawn and has greater covenant requirements, does not mature until 2025, there are potential impacts from Griffon’s use of debt to finance certain of its activities, especially acquisitions and expansions, as set forth below.

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

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

Griffon may be unable to raise additional financing if needed.

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

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

Griffon's indebtedness poses potential risks such as:

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

Risk Related to Our Common Stock

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

The issuance of additional equity securities or securities convertible into equity securities would result in dilution to existing stockholders' equity interests. Griffon is authorized to issue, without stockholder vote or approval, 3,000,000 shares of preferred stock in one or more series, and has the ability to fix the rights, preferences, privileges and restrictions of any such series. Any such series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of Griffon's common stock. While there is no present intention of issuing any such preferred stock, Griffon reserves the right to do so at any time. In addition, Griffon is authorized to issue, without stockholder approval, up to 85,000,000 shares of common stock, of which 56,129,784 shares, net of treasury shares, were outstanding as of September 30, 2020. Additionally, Griffon is authorized to issue, without stockholder approval, securities convertible into either shares of common stock or preferred stock.

General Risk Factors

Each of Griffon's businesses faces risks related to the disruption of its primary manufacturing facilities.

The manufacturing facilities for each of Griffon's businesses are concentrated in just a few locations, and in the case of CPP, some of these locations are abroad in low-cost locations. Any of Griffon's manufacturing facilities are subject to disruption for a variety of reasons, such as natural or man-made disasters, pandemics, terrorist activities, disruptions of information technology resources, and utility interruptions. Such disruptions may cause delays in shipping products, which could result in the loss of business or customer trust, adversely affecting Griffon's businesses and operating results.

Manufacturing capacity constraints or increased manufacturing costs may have a material adverse effect on Griffon's business, results of operations, financial condition and cash flows.

Griffon’s current manufacturing resources may be inadequate to meet significantly increased demand for some of its products. Griffon’s ability to increase its manufacturing capacity depends on many factors, including the availability of capital, steadily increasing consumer demand, equipment delivery, construction lead-times, installation, qualification, and permitting and other regulatory requirements. Increasing capacity through the use of third-party manufacturers may depend on Griffon’s ability to develop and maintain such relationships and the ability of such third parties to devote additional capacity to fill its orders.

A lack of sufficient manufacturing capacity to meet demand could cause customer service levels to decrease, which may negatively affect customer demand for Griffon's products and customer relations generally, which in turn could have a material adverse effect on Griffon's business, results of operations, financial condition and cash flows. In addition, operating facilities at or near capacity may also increase production and distribution costs and negatively impact relations with employees or contractors, which could result in disruptions to operations.

In addition, manufacturing costs may increase significantly and Griffon may not be able to successfully recover these cost increases with increased pricing to its customers.

If CPP and HBP do not continue to develop and maintain leading brands or realize the anticipated benefits of advertising and promotion spend, its operating results may suffer.

The ability of CPP and HBP to compete successfully depends in part on the company’s ability to develop and maintain leading brands so that retail and other customers will need its products to meet consumer demand. Leading brands allow both CPP and HBP to realize economies of scale in its operations. The development and maintenance of such brands require significant investment in brand-building and marketing initiatives. While CPP and HBP plan to continue to increase its expenditures for advertising and promotion and other brand-building and marketing initiatives over the long term, the initiatives may not deliver the anticipated results and the results of such initiatives may not cover the costs of the increased investment.

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

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

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

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

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

The markets for Griffon’s products are characterized by rapid technological change, evolving industry standards and continuous improvements in products. Due to constant changes in Griffon's markets, future success depends on Griffon's ability to develop new technologies, products, processes and product applications. Griffon's long-term success in the competitive retail environment and the industrial and commercial markets depends on its ability to develop and commercialize a continuing stream of innovative new products that are appealing to ultimate end users and create demand. New product development and commercialization efforts, including efforts to enter markets or product categories in which Griffon has limited or no prior experience, have inherent risks. These risks include the costs involved, such as development and commercialization, product development or launch delays, and the failure of new products and line extensions to achieve anticipated levels of market acceptance or growth in sales or operating income.

Griffon also faces the risk that its competitors will introduce innovative new products that compete with Griffon’s products. In addition, sales generated by new products could cause a decline in sales of Griffon’s other existing products. If new product development and commercialization efforts are not successful, Griffon’s financial results could be adversely affected.

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

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

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

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

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

Griffon and its companies conduct operations in Canada, Australasia, the United Kingdom, Mexico and China, and sell their products in many countries around the world. Sales of products through non-U.S. subsidiaries accounted for approximately 17% of consolidated revenue for the year ended September 30, 2020. These sales could be adversely affected by changes in political and economic conditions, trade protection measures, such as tariffs, the ability of the Company to enter into industrial cooperation agreements (offset agreements), differing intellectual property rights and laws and changes in regulatory requirements that restrict the sales of products or increase costs in such locations. Enforcement of existing laws in such jurisdictions can be uncertain, and the lack of a sophisticated body of laws can create various uncertainties, including with respect to customer and supplier contracts. Currency fluctuations between the U.S. dollar and the currencies in the non-U.S. regions in which Griffon does business may also have an impact on future reported financial results.

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

Griffon may not be able to protect its proprietary rights.

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

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

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

Griffon is exposed to product liability and warranty claims.

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments
None.

Item 2. Properties

Griffon occupies approximately 9,500,000 square feet of general office, factory and warehouse space primarily throughout the U.S., Canada, Mexico, Australia, United Kingdom and China. For a description of the encumbrances on certain of these properties, see the Notes Payable, Capitalized Leases and Long-Term Debt footnote in the Notes to Consolidated Financial Statements. The following table sets forth certain information related to Griffon's major facilities:

Location	Business Segment	Primary Use	Approx. Square Footage	Owned/ Leased	Lease End Year
New York, NY	Corporate	Headquarters	13,000	Leased	2025
Farmingdale, NY	Defense Electronics	Manufacturing/R&D	180,000	Owned	
Huntington, NY	Defense Electronics	Manufacturing	90,000	Owned	
Huntington, NY	Defense Electronics	Manufacturing	100,000	Leased	2021
Columbia, MD	Defense Electronics	Engineering	46,000	Leased	2025
Elizabeth City, NC	Defense Electronics	Manufacturing (Owned), Repair and Service (Leased)	46,500	Owned / Leased	2039
Troy, OH	Home and Building Products	Manufacturing	1,230,000	Leased	2021
Russia, OH	Home and Building Products	Manufacturing	250,000	Owned	
Mountain Top, PA	Home and Building Products	Manufacturing	279,000	Owned	
Goodyear, AZ	Home and Building Products	Manufacturing	163,000	Owned	
Carlisle, PA	Consumer and Professional Products	Manufacturing, Distribution	1,409,000	Leased	2035
Reno, NV	Consumer and Professional Products	Manufacturing, Distribution	400,000	Leased	2022
Camp Hill, PA	Consumer and Professional Products	Manufacturing	380,000	Owned	
Harrisburg, PA	Consumer and Professional Products	Manufacturing	264,000	Owned	
St. Francois, Quebec	Consumer and Professional Products	Manufacturing, Distribution	353,000	Owned	
Champion, PA	Consumer and Professional Products	Wood Mill	225,000	Owned	
Cork, Ireland	Consumer and Professional Products	Manufacturing, Distribution	74,000	Owned	
Pollington Site, UK	Consumer and Professional Products	Manufacturing, Distribution	115,000	Owned	
Gloucestershire, UK	Consumer and Professional Products	Distribution	46,000	Leased	2022
South Yorkshire, UK	Consumer and Professional Products	Manufacturing	59,000	Leased	2025
Kent, UK	Consumer and Professional Products	Distribution	32,000	Leased	2026
Australia (various)	Consumer and Professional Products	7 Distribution	646,000	Leased	2021 - 2027
Quebec, Canada	Consumer and Professional Products	Distribution	40,500	Lease	2021
Ocala, FL	Consumer and Professional Products	Manufacturing	676,000	Leased	2030
Grantsville, MD	Consumer and Professional Products	Manufacturing	155,000	Owned	
Reynosa, MX	Consumer and Professional Products	Manufacturing (owned), Distribution (leased)	133,000	Owned /Leased	2023
Chino, CA	Consumer and Professional Products	Distribution	202,000	Leased	2021
Pharr, TX	Consumer and Professional Products	Distribution	80,000	Leased	2022
Fairfield, IA	Consumer and Professional Products	Manufacturing	54,000	Leased	2021
Guangdong, China	Consumer and Professional Products	Manufacturing	211,000	Leased	2022

Griffon also leases approximately 1,200,000 square feet of space for the HBP distribution centers in numerous facilities throughout the U.S. and in Canada. In addition, Griffon leases approximately 160,000 square feet of office space throughout the U.S. CPP also owns approximately 200,000 square feet of additional space for operational wood mills in the U.S.

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

Item 3. Legal Proceedings

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

While it is impossible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities and claims, Griffon believes, based upon examination of currently available information, experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the ultimate resolution of these contingent matters, after taking into consideration existing insurance coverage and amounts already provided for, will not have a material adverse impact on consolidated results of operations, financial position or cash flows. Refer to Note 15 - Commitments and Contingent Liabilities for a discussion of the Company's litigation.

Item 4. Mine Safety Disclosures.

Not applicable.

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

Griffon’s Common Stock is listed for trading on the New York Stock Exchange under the symbol “GFF”.

Dividends

During 2020, 2019 and 2018, the Company declared and paid dividends totaling $0.30 per share, $0.29 per share and $0.28 per share, respectively. In addition, on March 7, 2018, the Board of Directors declared a special cash dividend of $1.00 per share, paid on April 16, 2018 to shareholders of record as of the close of business on March 29, 2018. The Company currently intends to pay dividends each quarter; however, payment of dividends is determined by the Board of Directors at its discretion based on various factors, and no assurance can be provided as to the payment of future dividends.

On November 12, 2020, the Board of Directors declared a cash dividend of $0.08 per share, payable on December 17, 2020 to shareholders of record as of the close of business on November 25, 2020.

Holders

As of October 31, 2020, there were approximately 10,600 holders of Griffon’s Common Stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information relating to Griffon’s equity compensation plans as of September 30, 2020:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	—	$ —	1,167,172
Equity compensation plans not approved by security holders	—	$ —	—

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

Issuer Purchase of Equity Securities

The table below presents shares of Griffon Stock which were acquired by Griffon during the fourth quarter of 2020:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2020	—	$ —	—	
August 1 - 31, 2020	—	—	—	
September 1 - 30, 2020	—	—	—	
Total	—	$ —	—	$ 57,955 (1)

1. Shares, if any, purchased by the Company in open market purchases are pursuant to share repurchases authorized by the Company's Board of Directors. On each of August 3, 2016 and August 1, 2018, the Company's Board of Directors authorized the repurchase of up to $50,000 of Griffon common stock; as of September 30, 2020, $57,955 remained available for purchase under these Board authorized repurchase programs.

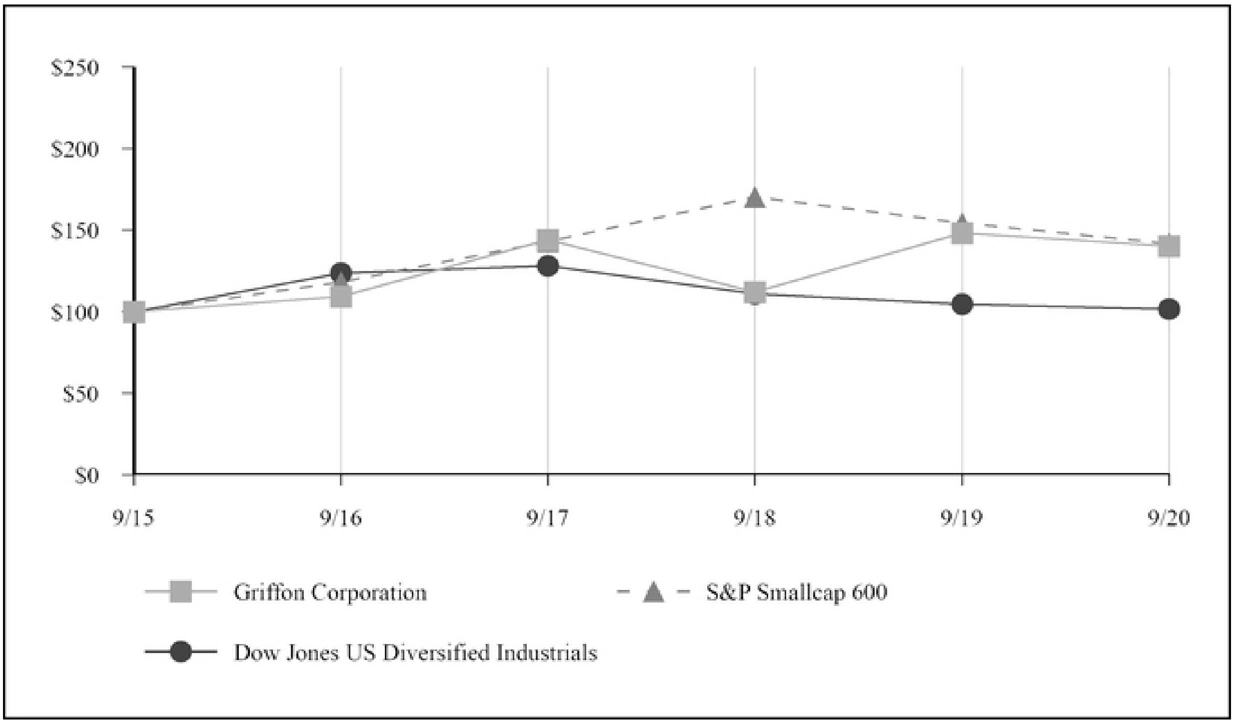
Performance Graph

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

The following graph sets forth the cumulative total return to Griffon's stockholders during the five years ended September 30, 2020, as well as an overall stock market (S&P Small Cap 600 Index) and Griffon's peer group index (Dow Jones U.S. Diversified Industrials Index). Assumes $100 was invested on September 30, 2015, including the reinvestment of dividends, in each category.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Griffon Corporation, the S&P Smallcap 600 Index
and the Dow Jones US Diversified Industrials Index



Item 6. *Selected Financial Data*

(in thousands, except per share amounts)	For the Years Ended September 30, 2020	2019	2018	2017	2016
Revenue	$ 2,407,522	$ 2,209,289	$ 1,977,918	$ 1,524,997	$ 1,477,035
Income (loss) before taxes and discontinued operations	$ 82,757	$ 72,178	$ 33,810	$ 16,698	$ 32,213
Provision (benefit) for income taxes	29,328	26,556	555	(1,085)	12,432
Income (loss) from continuing operations	53,429	45,622	33,255	17,783	19,781
Income (loss) from discontinued operations	—	(8,335)	92,423	(2,871)	10,229
Net Income (loss)	$ 53,429	$ 37,287	$ 125,678	$ 14,912	$ 30,010
Basic earnings (loss) per share:					
Continuing operations	$ 1.25	$ 1.11	$ 0.81	$ 0.43	$ 0.48
Discontinued operations	—	(0.20)	2.25	(0.07)	0.25
Net income (loss)	$ 1.25	$ 0.91	$ 3.06	$ 0.36	$ 0.73
Weighted average shares outstanding	42,588	40,934	41,005	41,005	41,074
Diluted earnings (loss) per share:					
Continuing operations	$ 1.19	$ 1.06	$ 0.78	$ 0.41	$ 0.45
Discontinued operations	—	(0.20)	2.18	(0.07)	0.23
Net income (loss)	$ 1.19	0.87	2.96	0.35	0.68
Weighted average shares outstanding	45,015	42,888	42,422	43,011	44,109
Cash dividends declared per common share	$ 0.30	$ 0.29	$ 1.28	$ 0.24	$ 0.20
Capital expenditures	$ 48,998	45,361	50,138	34,937	59,276
Depreciation and amortization	$ 62,409	61,848	55,803	47,878	46,342
Total assets	$ 2,456,017	2,074,939	2,084,890	1,873,541	1,782,096
Current portion of debt	$ 9,922	10,525	13,011	11,078	13,932
Long term portion of debt, net	1,037,042	1,093,749	1,108,071	968,080	896,946
Total debt, net	$ 1,046,964	1,104,274	1,121,082	979,158	910,878

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

Excludes results of operations and assets and liabilities of discontinued operations for all periods presented unless otherwise noted.

2020 includes $15,790 of restructuring charges ($11,865, net of tax, or $0.26 per share); a $7,925 loss from debt extinguishment ($6,190, net of tax, or $0.14 per share); $2,960 of acquisition costs ($2,306, net of tax, or $0.05 per share); a benefit from the reversal of contingent consideration related to the Kelkay acquisition of $1,733 ($1,403, net of tax, or $0.03 per share); and discrete and certain other tax provisions, net, of $654 or $0.01 per share.

2019 includes a benefit from the reversal of contingent consideration related to the Kelkay acquisition of $1,646 ($1,333, net of tax, or $0.03 per share) and discrete and certain other tax provisions, net, of $2,035 or $0.05 per share.

2018 includes $7,597 of acquisition related costs ($5,047, net of tax, or $0.12 per share), special dividend ESOP charges of $3,220 ($2,125, net of tax, or $0.05 per share), $1,205 of secondary equity offering costs ($795, net of tax, or $0.02 per share), a cost of life insurance benefit of $2,614 ($248, net of tax, or $0.01 per share) and discrete and certain other tax benefits, net, of $9,384, or $0.22 per share.

2017 includes $9,617 of acquisition related costs ($6,145, net of tax, or $0.14 per share), $5,137 of contract settlement charges ($3,300, net of tax, or $0.08 per share) and discrete tax benefits, net, of $8,274, or $0.19 per share.

2016 includes discrete tax benefits, net, of $857 or $0.02 per share.

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

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

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

OVERVIEW

The Company

Griffon Corporation (the “Company”, “Griffon”, "we" or "us") 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.

The Company was founded in 1959, is a Delaware corporation headquartered in New York, N.Y. and is listed on the New York Stock Exchange (NYSE:GFF).

In August 2020 Griffon Corporation completed the public offering of 8,700,000 shares of our common stock for total net proceeds of $178,165 (the "Public Offering"). The Company used a portion of the net proceeds to repay outstanding borrowings under its Credit Agreement. The Company intends to use the remainder of the proceeds for general corporate purposes, including to expand its current business through acquisitions of, or investments in, other businesses or products.

On February 19, 2020, Griffon issued, at par, $850,000 of 5.75% Senior Notes due in 2028 and on June 8, 2020 Griffon issued an additional $150,000 of notes under the same indenture at 100.25% of par (collectively the "2028 Senior Notes"). Proceeds from the 2028 Senior Notes were used to redeem the $1,000,000 of 5.25% Senior Notes due 2022 (the "2022 Senior Notes").

In January 2020, Griffon amended its credit agreement to increase the total amount available for borrowing from $350,000 to $400,000, extend its maturity date from March 22, 2021 to March 22, 2025 and modify certain other provisions of the facility (the "Credit Agreement").

On November 29, 2019, AMES acquired Vatre Group Limited ("Apta"), a leading United Kingdom supplier of innovative garden pottery and associated products sold to leading UK and Ireland garden centers for approximately $10,500 (GBP 8,750), inclusive of a post-closing working capital adjustment, net of cash acquired. This acquisition broadens AMES' product offerings in the UK market and increases its in-country operational footprint.

On June 4, 2018, Clopay Corporation ("Clopay") acquired CornellCookson, Inc. ("CornellCookson"), a leading US manufacturer and marketer of rolling steel door and grille products designed for commercial, industrial, institutional and retail use, for an effective purchase price of approximately $170,000. CornellCookson, as expected, generated over $200,000 in revenue in the first full year of operations. The accounts, affected for adjustments to reflect fair market values assigned to assets purchased and liabilities assumed, and results of operations of CornellCookson, are included in the Company's consolidated financial statements from the date of acquisition of June 4, 2018. See Note 3, Acquisitions.

On November 16, 2017, Griffon announced it entered into a definitive agreement to sell Clopay Plastic Products Company, Inc. ("Plastics") and on February 6, 2018, completed the sale to Berry Global, Inc. ("Berry") for approximately $465,000, net of certain post-closing adjustments. As a result, Griffon classified the results of operations of the Plastics business as discontinued operations in the Consolidated Statements of Operations for all periods presented and classified the related assets and liabilities associated with the discontinued operations in the consolidated balance sheets. All results and information presented exclude Plastics unless otherwise noted. See Note 7, Discontinued Operations.

On October 2, 2017, Griffon acquired ClosetMaid LLC ("ClosetMaid") for approximately $185,700, inclusive of post-closing adjustments, or $165,000 net of the estimated present value of tax benefits resulting from the transaction. ClosetMaid, founded in 1965, is a leading North American manufacturer and marketer of wood and wire closet organization, general living storage and wire garage storage products and sells to some of the largest home center retail chains, mass merchandisers, and direct-to-builder professional installers in North America. ClosetMaid, as expected, generated over $300,000 in revenue in the first twelve months after the acquisition. The accounts, affected for adjustments to reflect fair market values assigned to assets purchased and liabilities assumed, and results of operations of ClosetMaid are included in the Company's consolidated financial statements from the date of acquisition of October 2, 2017. See Note 3, Acquisitions.

Impact of COVID-19 on Our Business

The health and safety of our employees, our customers and their families is a high priority for Griffon. As of the date of this filing, all of Griffon's facilities are fully operational. We have implemented a variety of new policies and procedures, including additional cleaning, social distancing, staggered shifts and prohibiting or significantly restricting on-site visitors, to minimize the risk to our employees of contracting COVID-19. We manufacture a substantial majority of the products that we sell, with the majority of our manufacturing activities conducted in the United States. As a result, we have been able to mitigate the adverse impact of the COVID-19 pandemic on the global supply chain.

During fiscal 2020 and through the date of this filing, all of our businesses have experienced normal or better order patterns compared with the same time period last year, with the exception of HBP's sectional door business, which experienced an 18% decline in orders in April but subsequently rebounded. Our supply chains have not experienced significant disruption, and at this time we do not anticipate any such significant disruption in the near term. Although many U.S. states lifted initial executive orders issued earlier in the year requiring all workers to remain at home unless their work is critical, essential, or life-sustaining, some states and localities have recently put in place new restrictions regarding the operation of many types of businesses, or have tightened up restrictions already in place, in response to the recent worsening of the COVID-19 outbreak . Regardless, we believe that, based on the various standards published to date, the work our employees are performing are either critical, essential and/or life-sustaining for the following reasons: 1) Our Defense Electronics segment ("DE") is a defense and national security-related operation supporting the U.S. Government, with a portion of its business being directly with the U.S. Government; 2) HBP residential and commercial garage doors, rolling steel doors and related products that (a) provide protection and support for the efficient and safe movement of people, goods, and equipment in and out of residential and commercial facilities, (b) help prevent fires from spreading from one location to another, and (c) protect warehouses and homes, and their contents, from damage caused by strong weather events such as hurricanes and tornadoes; and 3) CPP tools and storage products provide critical support for the national infrastructure including construction, maintenance, manufacturing and natural disaster recovery, and is part of the essential supply base to many of its largest customers including Home Depot, Lowe's and Menards. Our AMES international facilities are currently fully operational, as they meet the applicable standards in their respective countries.

Griffon believes it has adequate liquidity to invest in its existing businesses and execute its business plan, while managing its capital structure on both a short-term and long-term basis. In January 2020, Griffon increased total borrowing capacity under its Credit Agreement by $50,000, to $400,000 (of which $370,275 was available at September 30, 2020), and extended maturity of the facility to 2025. In addition, the Credit Agreement has a $100,000 accordion feature (subject to lender consent). In February 2020, Griffon refinanced $850,000 of its $1,000,000 of senior notes due 2022 with new 5.75% senior notes with a maturity of 2028, and in June 2020 refinanced the remaining $150,000 under the same terms and indenture as the $850,000 senior notes due 2028. In August 2020, we completed a Public Offering of 8,700,000 shares of our common stock for total net proceeds of $178,165; a portion of these net proceeds were used to repay outstanding borrowing under our Credit Agreement. At September 30, 2020 Griffon had cash and equivalents of $218,089.

We will continue to actively monitor the situation and may take further actions that impact our operations as may be required by federal, state or local authorities or that we determine is in the best interests of our employees, customers, suppliers and shareholders. While we are unable to determine or predict the nature, duration or scope of the overall impact the COVID-19 pandemic will have on our businesses, results of operations, liquidity or capital resources, we believe it is important to discuss where our company stands today, how our response to COVID-19 is progressing and how our operations and financial condition may change as the fight against COVID-19 progresses.

Griffon conducts its operations through three reportable segments:

- Consumer and Professional Products ("CPP") conducts its operations through AMES. Founded in 1774, AMES is the leading North American manufacturer and a global provider of branded consumer and professional tools and products for home storage and organization, landscaping, and enhancing outdoor lifestyles. CPP sells products globally through a portfolio of leading brands including True Temper, AMES, and ClosetMaid. CPP revenue was 47%, 45%, and 48% of Griffon’s consolidated revenue in 2020, 2019 and 2018, respectively.

- Home and Building Products ("HBP") conducts its operations through Clopay. Founded in 1964, Clopay is the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Residential and commercial sectional garage doors are sold through professional dealers and leading home center retail chains throughout North America under the brands Clopay, Ideal, and Holmes. Rolling steel door and grille products designed for commercial, industrial, institutional, and retail use are sold under the CornellCookson brand. HBP revenue was 39%, 40% and 35% of Griffon’s consolidated revenue in 2020, 2019 and 2018, respectively.

- Defense Electronics conducts its operations through Telephonics Corporation ("Telephonics"), founded in 1933, a globally recognized leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers. Telephonics' revenue was 14%, 15% and 17% of Griffon's consolidated revenue in 2020, 2019 and 2018, respectively.

CONSOLIDATED RESULTS OF OPERATIONS

2020 Compared to 2019

Revenue from continuing operations for the year ended September 30, 2020 of $2,407,522 increased 9% compared to $2,209,289 in the year ended September 30, 2019, primarily driven by increased consumer demand for home improvement projects at both CPP and HBP, and increased revenue at DE. Organic growth was 8%.

Gross profit for 2020 was $641,426 compared to $583,474 in 2019, with gross margin as a percent of sales ("gross margin") of 26.6% in 2020, compared to 26.4% in 2019. In 2020, Gross profit included restructuring charges of $4,159. Excluding restructuring charges in 2020, Gross profit would have been $645,586 or 26.8% of revenue compared to $583,474 or 26.4% in the prior year.

Selling, general and administrative ("SG&A") expenses from continuing operations in 2020 of $486,398 increased 9% from 2019 of $447,163. The 2020 SG&A expenses included restructuring charges of $11,630, acquisition costs of $2,960 and the reversal of contingent consideration related to the Kelkay acquisition of $1,733. The 2019 SG&A expenses include income from the reversal of contingent consideration related to the Kelkay acquisition of $1,646. Excluding these items from both periods, the 2020 SG&A expenses would have been $473,541, or 19.7% of revenue compared to $448,809 or 20.3%, with the increase in expenses primarily due to the Apta acquisition and increased management incentives, partially offset by COVID-19 related reduced travel expenses.

Interest expense from continuing operations in 2020 of $66,544 decreased 2% compared to 2019 of $68,066, primarily as a result of decreased outstanding borrowings and variable interest rates on our Revolving Credit Facility.

Other income (expense) from continuing operations of $1,445 and $3,127 in 2020 and 2019, respectively, includes $915 and $438, respectively, of net currency exchange transaction losses from receivables and payables held in non-functional currencies, $184 and $(40), respectively, of net gains or (losses) on investments, and $1,559 and $3,148, respectively, of net periodic benefit plan income. Additionally, in 2020, Other income (expense) also includes a one-time technology recognition award for $700.

Griffon reported pretax income from continuing operations for 2020 of $82,757 compared to $72,178 for 2019. In 2020, the Company recognized an effective income tax rate of 35.4% compared to 36.8% in 2019. The 2020 tax rate included $654 of discrete and certain other tax provisions, net, and other items that affect comparability, as listed below. The 2019 tax rate included $2,035 of discrete and certain other tax provisions, net. Excluding the discrete and certain other tax provisions, net, and other items that affect comparability, as listed below, the effective income tax rates for 2020 and 2019 were 32.2% and 34.3%, respectively. These rates reflect the impact of tax reserves and changes in earnings mix between U.S. and non-U.S. operations.

Income from continuing operations for 2020 was $53,429, or $1.19 per share, compared to $45,622, or $1.06 per share in 2019. The 2020 income from continuing operations included the following:

- Restructuring charges of $15,790 ($11,865, net of tax, or $0.26 per share);
- Loss from debt extinguishment $7,925 ($6,190, net of tax, or $0.14 per share);
- Acquisition costs of $2,960 ($2,306, net of tax, or $0.05 per share); and
- Acquisition contingent consideration benefit of $1,733 ($1,403, net of tax, or $0.03 per share); and
- Discrete and certain other tax provision, net, of $654 or $0.01 per share.

The 2019 Income from continuing operations included a benefit from the reversal of contingent consideration related to the Kelkay acquisition of $1,646 ($1,333, net of tax, or $0.03 per share) and discrete and certain other tax provisions, net, of $2,035 or $0.05 per share.

Excluding these items from both reporting periods, 2020 Income from continuing operations would have been $73,041, or $1.62 per share compared to $46,324, or $1.08 per share, in 2019.

2019 Compared to 2018

Revenue from continuing operations for the year ended September 30, 2019 was $2,209,289, compared to $1,977,918 in the year ended September 30, 2018, an increase of 12%, primarily driven by increased revenue at CPP and HBP from both recent acquisitions and organic growth, and increased revenue at Defense Electronics. Organic growth was 5%. Gross profit for 2019 was $583,474 compared to $511,318 in 2018, with gross margin of 26.4% in 2019, compared to 25.9% in 2018.

SG&A expenses from continuing operations in 2019 of $447,163 increased 7% from 2018 of $418,517. The 2019 SG&A expenses include income from the reversal of contingent consideration related to the Kelkay acquisition of $1,646. The 2018 SG&A expenses included acquisition costs of $6,097, special dividend ESOP charges of $3,220, cost of a life insurance benefit of $2,614 and secondary offering costs of $1,205. Excluding these items from both periods the 2019 SG&A expenses increased 11% over 2018 primarily related to the June 4, 2018 acquisition of CornellCookson and increased distribution and related freight costs at HBP due to increased sales volume. SG&A for 2019, as a percent of revenue, was 20.3% compared to 20.5% in 2018, excluding the items detailed above.

Interest expense from continuing operations in 2019 of $68,066 increased 4% compared to 2018 of $65,568, primarily as a result of increased outstanding borrowings and interest rates on our Revolving Credit Facility.

Other income (expense) from continuing operations of $3,127 in 2019 and $4,880 in 2018, includes $438 and $200, respectively, of currency exchange transaction losses from receivables and payables held in non-functional currencies, and $(40) and $1,184, respectively, of net gains or (losses) on investments. Additionally, Other income (expense) included net periodic benefit plan income of $3,148 and $3,649 in 2019 and 2018, respectively.

Griffon reported pretax income from continuing operations for 2019 of $72,178 compared to $33,810 for 2018. In 2019, the Company recognized an effective income tax rate of 36.8% compared to 1.6% in 2018. The 2019 tax rate included $2,035 of discrete and certain other tax provisions, net. The 2018 tax rate included $9,384 of discrete and certain other tax benefits, net, primarily from the revaluation of deferred tax liabilities and the provisional amount recorded for the IRC section 965 transition tax on the untaxed foreign earnings net of foreign tax credits, related to the TCJA.

Excluding the discrete and certain other tax benefits, net, and certain other items from continuing operations, as listed below, the effective tax rates for 2019 and 2018 were 34.3% and 33.8%, respectively. These rates reflect the impact of tax reserves and changes in earnings mix between U.S. and non-U.S. operations.

Income from continuing operations for 2019 was $45,622, or $1.06 per share, compared to $33,255, or $0.78 per share in 2018.

The 2019 Income from continuing operations included a benefit from the reversal of contingent consideration related to the Kelkay acquisition of $1,646 ($1,333, net of tax, or $0.03 per share) and discrete and certain other tax provisions, net, of $2,035 or $0.05 per share.

The 2018 income from continuing operations included the following:

- Acquisition costs of $7,597 ($5,047, net of tax, or $0.12 per share);
- Special dividend ESOP charges of $3,220 ($2,125, net tax, or $0.05);
- Secondary equity offering costs of $1,205 ($795, net tax, or $0.02);
- Cost of life insurance benefit of $2,614 ($248, net tax, or $0.01); and
- Discrete and certain other tax benefits, net, of $9,384 or $0.22 per share, primarily from the revaluation of deferred tax liabilities and the provisional amount recorded for the IRC section 965 transition tax on the untaxed foreign earnings net of foreign tax credits related to the TCJA.

Excluding these items from both reporting periods, 2019 Income from continuing operations would have been $46,324, or $1.08 per share compared to $32,086, or $0.76 per share, in 2018.

Griffon evaluates performance based on Earnings per share and Net income excluding restructuring charges, loss on debt extinguishment, acquisition related expenses, discrete and certain other tax items, as well other items that may affect comparability, as applicable. Griffon believes this information is useful to investors for the same reason.

The following table provides a reconciliation of Income from continuing operations to Adjusted income from continuing operations and Earnings per common share from continuing operations to Adjusted earnings per common share from continuing operations:

GRIFFON CORPORATION AND SUBSIDIARIES
RECONCILIATION OF INCOME FROM CONTINUING OPERATIONS
TO ADJUSTED INCOME FROM CONTINUING OPERATIONS
(Unaudited)

	For the Years Ended September 30,		
	2020	2019	2018
Income from continuing operations	$ 53,429	$ 45,622	$ 33,255
Adjusting items:			
Restructuring charges	15,790	—	—
Loss from debt extinguishment	7,925	—	—
Acquisition costs	2,960	—	7,597
Acquisition contingent consideration	(1,733)	(1,646)	—
Special dividend ESOP charges	—	—	3,220
Secondary equity offering costs	—	—	1,205
Cost of life insurance benefit	—	—	2,614
Tax impact of above items	(5,984)	313	(6,421)
Discrete and other certain tax provisions (benefits)	654	2,035	(9,384)
Adjusted income from continuing operations	$ 73,041	$ 46,324	$ 32,086
Earnings per common share from continuing operations	$ 1.19	1.06	$ 0.78
Adjusting items, net of tax:			
Restructuring charges	0.26		
Loss from debt extinguishment	0.14		
Acquisition costs	0.05	—	0.12
Acquisition contingent consideration	(0.03)	(0.03)	—
Special dividend ESOP charges	—	—	0.05
Secondary equity offering costs	—	—	0.02
Cost of life insurance benefit	—	—	0.01
Discrete and other certain tax provisions (benefits)	0.01	0.05	(0.22)
Adjusted earnings per share from continuing operations	$ 1.62	1.08	$ 0.76
Weighted-average shares outstanding (in thousands)	45,015	42,888	42,422

REPORTABLE SEGMENTS

Griffon evaluates performance and allocates resources based on each segment's operating results from continuing operations before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (primarily corporate overhead), restructuring charges, loss on debt extinguishment and acquisition related expenses, as well as other items that may affect comparability, as applicable ("Adjusted EBITDA", a non-GAAP measure). Griffon believes this information is useful to investors for the same reason.

See table provided in Note 19 - Reportable Segments, for a reconciliation of Segment Adjusted EBITDA to Income before taxes from continuing operations.

Consumer and Professional Products

	For the Years Ended September 30,								
	2020			2019			2018		
Revenue	$	1,139,233		$	1,000,608		$	953,612	
Adjusted EBITDA	$	104,053	9.1%	$	90,677	9.1%	$	77,061	8.1%
Depreciation and amortization		32,788			32,289			30,816	

2020 Compared to 2019

CPP revenue in 2020 increased $138,625, or 14%, compared to 2019, primarily from a 12% increase in volume, due to increased consumer demand for home improvement initiatives across most of our geographic regions supplemented by COVID-19 stay at home orders, favorable price and mix of 1% and an incremental 2% revenue contribution from the Apta acquisition, partially offset by an unfavorable impact of foreign exchange of 1%. Organic growth was 12%.

CPP Adjusted EBITDA in 2020 increased $13,376 or 15% to $104,053 compared to $90,677 in 2019. The favorable variance resulted primarily from the increased revenue noted above, partially offset by increased tariffs, COVID-19 related inefficiencies and direct costs, and an unfavorable foreign exchange impact of 1%.

Direct COVID-19 related expenses totaled approximately $5,000 in 2020.

Segment depreciation and amortization increased $499 from the comparable prior year period primarily due to the onset of depreciation for new assets placed in service.

On November 29, 2019, AMES acquired Vatre Group Limited ("Apta"), a leading United Kingdom supplier of innovative garden pottery and associated products sold to leading UK and Ireland garden centers for approximately $10,500 (GBP 8,750), inclusive of a post-closing working capital adjustment, net of cash acquired. This acquisition broadens AMES' product offerings in the UK market and increases its in-country operational footprint. Apta is expected to contribute $15,000 in revenue in the first 12 months after the acquisition.

Strategic Initiative and Restructuring Charges

In November 2019, Griffon announced the development of a next-generation business platform for CPP to enhance the growth, efficiency, and competitiveness of its U.S. operations, and on November 12, 2020, Griffon announced that CPP is broadening this strategic initiative to include additional North American facilities, the AMES UK and Australia businesses, and a manufacturing facility in China.

The expanded focus of this initiative leverages the same three key development areas being executed within our U.S. operations. First, multiple independent information systems will be unified into a single data and analytics platform, which will serve the whole AMES global enterprise. Second, certain AMES global operations will be consolidated to optimize facilities footprint and talent. Third, strategic investments in automation and facilities expansion will be made to increase the efficiency of our manufacturing and fulfillment operations, and support e-commerce growth.

Expanding the roll-out of the new business platform from our AMES U.S. operations to include AMES' global operations will extend the duration of the project by one year, with completion now expected by the end of calendar year 2023. When fully implemented, these actions will result in annual cash savings of $30,000 to $35,000 (increased from $15,000 to $20,000) and a reduction in inventory of $30,000 to $35,000 (increased from $20,000 to $25,000), both based on fiscal 2020 operating levels.

The cost to implement this new business platform, over the duration of the project, will include one-time charges of approximately $65,000 (increased from $35,000) and capital investments of approximately $65,000 (increased from $40,000). The one-time charges are comprised of $46,000 of cash charges, which includes $26,000 of personnel-related costs such as training, severance, and duplicate personnel costs as well as $20,000 of facility and lease exit costs. The remaining $19,000 of charges are non-cash and are primarily related to asset write-downs.

In connection with this initiative, during the year ended September 30, 2020 CPP incurred pre-tax restructuring and related exit costs approximating $13,669, comprised of cash charges of $8,977 and non-cash, asset-related charges of $4,692; the cash charges included $5,620 for one-time termination benefits and other personnel-related costs and $3,357 for facility exit costs. During the year ended September 30, 2020, capital expenditures of $6,733 were driven by investment in CPP business intelligence systems and e-commerce facility.

	Cash Charges		Non-Cash Charges		
	Personnel related costs	Facilities, exit costs and other	Facility and other	Total	Capital Investments
Domestic Expansion	$ 12,000	$ 4,000	$ 19,000	$ 35,000	$ 40,000
Global Expansion	14,000	16,000	—	30,000	25,000
Total Anticipated Charges	26,000	20,000	19,000	65,000	65,000
Total 2020 restructuring charges	(5,620)	(3,357)	(4,692)	(13,669)	(6,733)
Estimate to Complete	$ 20,380	$ 16,643	$ 14,308	$ 51,331	$ 58,267

2019 Compared to 2018

CPP revenue in 2019 increased $46,996, or 5%, compared to 2018, driven by increased revenue from pricing and mix of 3% and volume of 4%, partially offset by a 2% unfavorable impact due to foreign exchange.

CPP Adjusted EBITDA in 2019 was $90,677 compared to $77,061 in 2018, primarily driven by the increased revenue as noted above, partially offset by increased material and tariff costs. Depreciation and amortization increased $1,473 from 2018, primarily from acquisitions.

2018 Acquisitions

On February 13, 2018, AMES acquired Kelkay, a leading United Kingdom manufacturer and distributor of decorative outdoor landscaping products sold to garden centers, retailers and grocers in the UK and Ireland for approximately $56,118 (GBP 40,452) and contingent consideration of approximately GBP 7,000, of which approximately GBP 2,200 was earned. This acquisition broadened AMES' product offerings in the market and increased its in-country operational footprint. Kelkay contributed approximately $35,000 in revenue in the first twelve months after the acquisition.

On November 6, 2017, AMES acquired Harper Brush Works (“Harper”), a division of Horizon Global, for approximately $5,000. Harper is a leading U.S. manufacturer of cleaning products for professional, home, and industrial use. The acquisition will broaden AMES’ long-handle tool offering in North America to include brooms, brushes, and other cleaning tools and accessories. Harper, as expected, generated approximately $10,000 in revenue in the first twelve months after the acquisition.

On October 2, 2017, Griffon completed the acquisition of ClosetMaid, a market leader of home storage and organization products, for approximately $185,700, inclusive of post-closing adjustments, or $165,000 net of the estimated present value of tax benefits resulting from the transaction. ClosetMaid adds to Griffon's Home and Building Products segment, complementing and diversifying Griffon's portfolio of leading consumer brands and products. ClosetMaid, as expected, generated over $300,000 in revenue in the first twelve months after the acquisition.

Home and Building Products

	For the Years Ended September 30,								
	2020			2019			2018		
Revenue	$	927,313		$	873,640		$	697,969	
Adjusted EBITDA	$	153,631	16.6%	$	120,161	13.8%	$	100,339	14.4%
Depreciation and amortization		18,361			18,334			13,717	

2020 Compared to 2019

HBP revenue in 2020 increased $53,673, or 6%, compared to 2019, with 4% from volume and 2% from favorable mix and pricing.

HBP Adjusted EBITDA in 2020 increased 33,470, or 28% to $153,631 compared to $120,161 in 2019, The favorable variance resulted from the increased revenue noted above and general operational efficiency improvements, partially offset by COVID-19 related inefficiencies and direct costs. Direct COVID-19 related expenses totaled approximately $2,000 in 2020.

Depreciation and amortization remained consistent with the prior year.

On January 31, 2019, Clopay announced a $14,000 investment in facilities infrastructure and equipment at its rolling steel manufacturing location in Mountain Top, Pennsylvania. This project includes a 95,000 square foot expansion to the already existing 184,000 square foot facility, along with the addition of state-of-the-art manufacturing equipment. Through this expansion, the Mountain Top location improved its manufacturing efficiency and shipping operations, as well as increased manufacturing capacity to support full-rate production of new and core products. The project was completed at the end of calendar 2019.

2019 Compared to 2018

HBP revenue in 2019 increased $175,671, or 25%, compared to 2018, with 19% due to the acquisition of CornellCookson, 5% from favorable mix and pricing and 1% from increased volume. Organic growth was 6%. CornellCookson revenue was $202,742.

HBP Adjusted EBITDA in 2019 increased 20% to $120,161 compared to $100,339 in 2018, primarily driven by the increased revenue as noted above, partially offset by increased material and tariff costs. Depreciation and amortization increased $4,617 from 2018, primarily from acquisitions.

2018 Acquisition

On June 4, 2018, Clopay completed the acquisition of CornellCookson, a leading US manufacturer and marketer of rolling steel door and grille products designed for commercial, industrial, institutional and retail use, for $180,000, excluding certain post-closing adjustments primarily related to working capital. After taking into account the net of the estimated present value of tax benefits resulting from the transaction, the effective purchase price is approximately $170,000. The acquisition of CornellCookson substantially expanded Clopay's non-residential product offerings, and added an established professional dealer network focused on rolling steel door and grille products for commercial, industrial, institutional and retail use. CornellCookson, as expected, generated over $200,000 in revenue in the first full year of operations.

Defense Electronics

	For the Years Ended September 30,					
	2020		2019		2018	
Revenue	$ 340,976		$ 335,041		$ 326,337	
Adjusted EBITDA	$ 25,228	7.4%	$ 35,104	10.5%	$ 36,063	11.1%
Depreciation and amortization	10,645		10,667		10,801	

2020 Compared to 2019

DE revenue in 2020 increased $5,935, or 2%, compared to 2019, primarily due to increased deliveries and increased volume on airborne and ground communications systems as well as airborne surveillance systems, partially offset by reduced volume on Multi-Mode airborne maritime surveillance radar systems.

DE Adjusted EBITDA in 2020 decreased $9,876, or 28% to $25,228, compared to $35,104 in 2019, primarily due to program inefficiencies associated with certain radar programs, unfavorable program mix and increased operating expenses primarily due to bid and proposal activities and timing of research and development initiatives, partially offset by program efficiencies within airborne intercommunication surveillance systems.

Direct COVID-19 related expenses totaled approximately $1,000 in 2020.

Segment depreciation and amortization remained consistent with the prior year period.

During 2020, DE was awarded new contracts and incremental funding on existing contracts approximating $331,700. Contract backlog was $380,000 at September 30, 2020 with 67% expected to be fulfilled in the next 12 months; backlog was $389,300 at September 30, 2019. 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 U.S. government agencies.

2019 Compared to 2018

DE revenue in 2019 increased $8,704, or 3%, compared to 2018, primarily due to increased volume of ground and airborne maritime surveillance radars, partially offset by Multi-Mode airborne maritime surveillance systems.

DE Adjusted EBITDA in 2019 decreased $959, or 3%, compared to 2018, primarily due to unfavorable mix and efficiencies associated with Multi-Mode maritime surveillance systems, partially offset by reduced operating expenses.

Restructuring

In September 2020, Telephonics initiated a Voluntary Employee Retirement Plan, which was subsequently followed by a reduction in force in November 2020, to improve efficiencies by combining functions and responsibilities. The combined actions are expected to incur severance charges of approximately $4,500, with $2,120 recognized in the fourth quarter, and the balance to be recognized in the first quarter of 2021. At the conclusion of these actions, headcount is expected to be reduced by approximately 90 people. In addition, during fiscal 2020 Telephonics commenced a facility project to consolidate three Long Island based facilities into two company owned facilities with a total cost of approximately $4.0 million primarily comprised of capital expenditures in 2021.

Unallocated Amounts

For 2020, unallocated amounts, excluding depreciation, consisted primarily of corporate overhead costs, totaled $47,013 compared to $46,302 in 2019, with the increase primarily due to compensation and incentive costs.

For 2019, unallocated amounts, excluding depreciation, consisted primarily of corporate overhead costs, totaled $46,302 compared to $45,343 in 2018, with the increase primarily due to compensation, incentive and relocation costs.

Depreciation and Amortization

Depreciation and amortization of $62,409 in 2020 compared to $61,848 in 2019; the increase was primarily due to depreciation for new assets placed in service.

Depreciation and amortization of $61,848 in 2019 compared to $55,803 in 2018; the increase was primarily due to depreciation and amortization on assets acquired in acquisitions.

Comprehensive Income (Loss)

During 2020, total other comprehensive income (loss), net of taxes, of $(6,176) included a gain of $5,601 from foreign currency translation adjustments primarily due to the strengthening of the Euro, Canadian, British and Australian currencies, all in comparison to the U.S. Dollar; a $11,784 loss from Pension and other post-retirement benefits, primarily associated with a decrease in the assumed discount rate compared to 2019; and a $7 gain on cash flow hedges.

During 2019, total other comprehensive income (loss), net of taxes, of $(31,804) included a loss of $8,460 from foreign currency translation adjustments primarily due to the weakening of the Euro, Canadian, British and Australian currencies, all in comparison to the U.S. Dollar; a $23,055 loss from Pension and other post-retirement benefits, primarily associated with a decrease in the assumed discount rate compared to 2018; and a $289 loss on cash flow hedges.

DISCONTINUED OPERATIONS

On November 16, 2017, Griffon announced it entered into a definitive agreement to sell Plastics and on February 6, 2018, completed the sale to Berry for approximately $465,000, net of certain post-closing adjustments. As a result, Griffon classified the results of operations of the Plastics business as discontinued operations in the Consolidated Statements of Operations for all periods presented and classified the related assets and liabilities associated with the discontinued operations in the consolidated balance sheets. All results and information presented exclude Plastics unless otherwise noted. Plastics is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies.

During 2019, Griffon recorded an $11,050 charge ($8,335, net of tax) to discontinued operations. The charge consisted primarily of a purchase price adjustment to resolve a claim related to the $465,000 Plastics divestiture and included an additional reserve for a legacy environmental matter.

At September 30, 2020 and 2019, Griffon’s liabilities for discontinued operations primarily related to insurance claims, income taxes and product liability, warranty and environmental reserves totaling liabilities of approximately $10,811 and $7,664, respectively. See Note 7, Discontinued Operations.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses Griffon’s liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting liquidity 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 existing businesses and strategic acquisitions while managing its capital structure on both a short-term and long-term basis.

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

Cash Flows from Continuing Operations	**Years Ended September 30,**	
(in thousands)	**2020**	**2019**
Net Cash Flows Provided By (Used In):		
Operating activities	$ 137,029	$ 113,958
Investing activities	(59,307)	(74,553)
Financing activities	68,190	(34,976)

Cash provided by operating activities from continuing operations for 2020 was $137,029 compared to $113,958 in 2019. Cash provided by income from continuing operations, adjusted for non-cash expenditures, was offset by a net increase in working capital, primarily driven by increased accounts receivable and prepaid and other current assets, partially offset by decreases in inventory and increases in accrued liabilities.

During 2020, Griffon used $59,307 in investing activities from continuing operations compared to $74,553 in 2019. Payments for acquired businesses totaled $10,531 in 2020 compared to $9,219 in 2019. On November 29, 2019, AMES acquired 100% of the outstanding stock of Apta, a leading United Kingdom supplier of innovative garden pottery and associated products sold to leading UK and Ireland garden centers for approximately $10,500 (GBP 8,750), inclusive of a post-closing working capital adjustment, net of cash acquired. Payments for acquired businesses in the prior year consisted solely of a final purchase price adjustment for CornellCookson. Payments in the prior year comparable period also included $9,500 related to a purchase price adjustment to resolve a claim related to the $465,000 PPC divestiture and an insurance payment of $10,604 pertaining to the settlement of a certain life insurance benefit. In 2020, capital expenditures, net, totaled $48,646 compared to $45,081 in 2019.

Cash provided by financing activities from continuing operations in 2020 totaled $68,190 compared to cash used in 2019 of $34,976. In August 2020, Griffon Corporation completed the Public Offering of 8,700,000 shares of our common stock for total net proceeds of $178,165. The Company used a portion of the net proceeds to repay outstanding borrowings under its Credit Agreement. At September 30, 2020, there were $12,858 in outstanding borrowings under the Credit Agreement, compared to $50,000 in outstanding borrowings at the same date in 2019. Additionally, on June 22, 2020, Griffon completed an add-on offering through a private placement of $150,000 aggregate principal amount of its 5.75% Senior Notes, at 100.25% of par, to Griffon's previously issued $850,000 principal amount of its 5.75% Senior Notes, at par, completed on February 19, 2020. Proceeds from the Senior Notes were used to redeem the $1,000,000 of 2022 Senior Notes. Cash provided by financing activities in the current period also included financing payments of $17,384 primarily associated with the redemption of the $1,000,000 of 2022 Senior Notes; and the amendment and extension of the Company's revolving credit facility which increased the maximum borrowing availability from $350,000 to $400,000 and extended its maturity date from March 22, 2021 to March 22, 2025.

During the year ended September, 30, 2020, COVID-19 did not had a material impact on our operations, and we anticipate our current cash balances, cash flows from operations and sources of liquidity including proceeds received from the August 2020 Public Offering will be sufficient to meet our cash requirements for the foreseeable future.

On each of August 3, 2016 and August 1, 2018, 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 2020, Griffon did not purchase any shares of common stock under these repurchase programs. At September 30, 2020, $57,955 remains under Griffon's Board authorized repurchase programs.

During 2020, 340,775 shares, with a market value of $7,409, or $21.74 per share, were withheld to settle employee taxes due upon the vesting of restricted stock and were added to treasury stock. Furthermore, during 2020, an additional 3,307 shares, with a market value of $70, or $21.22 per share, were withheld from common stock issued upon the vesting of restricted stock units to settle employee taxes due upon vesting.

During 2020, the Board of Directors approved four quarterly cash dividends each for $0.0750 per share, totaling $0.30. On November 12, 2020, the Board of Directors declared a cash dividend of $0.08 per share, payable on December 17, 2020 to shareholders of record as of the close of business on November 25, 2020.

As of September 30, 2020, the amount of cash, cash equivalents and marketable securities held by foreign subsidiaries was $55,000. Our intent is to permanently reinvest these funds outside the U.S., and we do not currently anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event we determine that funds from foreign operations are needed to fund operations in the U.S., we will be required to accrue and pay U.S taxes to repatriate these funds (unless applicable U.S. taxes have already been paid).

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. With respect to CPP and 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. In 2020:

a. The U.S. Government and its agencies, through prime and subcontractor relationships, represented 10% of Griffon’s consolidated revenue and 69% of DE revenue.
b. Home Depot represented 17% of Griffon’s consolidated revenue, 27% of CPP's revenue and 12% of HBP's revenue.

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

At September 30, 2020, Griffon had debt, net of cash and equivalents, as follows:

Cash and Equivalents and Debt *(in thousands)*	**At September 30, 2020**	**At September 30, 2019**
Cash and equivalents	$ 218,089	$ 72,377
Notes payables and current portion of long-term debt	9,922	10,525
Long-term debt, net of current maturities	1,037,042	1,093,749
Debt discount and issuance costs	17,458	9,857
Total debt	1,064,422	1,114,131
Debt, net of cash and equivalents	**$ 846,333**	**$ 1,041,754**

On June 22, 2020, in an unregistered offering through a private placement, Griffon completed the add-on offering of $150,000 principal amount of its 5.75% Senior Notes, at 100.25% of par, to Griffon's previously issued $850,000 principal amount of its 5.75% Senior Notes, at of par, completed on February 19, 2020. Proceeds from the Senior Notes were used to redeem the $1,000,000 of 5.25% 2022 Senior Notes. As of September 30, 2020, outstanding Senior Notes due totaled $1,000,000; 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 April 22, 2020 and August 3, 2020, Griffon exchanged substantially all of the Senior Notes for substantially identical Senior Notes registered under the Securities Act of 1933, as amended (the "Securities Act"), via an exchange offer. The fair value of the 2028 Senior Notes approximated $1,040,000 on September 30, 2020 based upon quoted market prices (level 1 inputs).

In connection with these transactions, Griffon capitalized $16,448 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, and, at September 30, 2020, $15,376 remained to be amortized. Furthermore, all of the obligations associated with the 2022 Senior Notes were discharged. Additionally, Griffon recognized a $7,925 loss on the early extinguishment of debt of the 5.25% $1,000,000 2022 Senior Notes, comprised primarily of the write-off of $6,725 of remaining deferred financing fees, $607 of tender offer net premium expense and $593 of redemption interest expense.

On January 30, 2020, Griffon amended its Credit Agreement to increase the maximum borrowing availability from $350,000 to $400,000, extend its maturity from March 22, 2021 to March 22, 2025 and modify certain other provisions of the facility. The facility includes a letter of credit sub-facility with a limit of $100,000 (increased from $50,000); and a multi-currency sub-facility of $100,000. The Credit Agreement provides for same day borrowings of base rate loans.

Borrowings under the Credit Agreement may be repaid and re-borrowed at any time. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate, plus an applicable margin, which adjusts based on financial performance. Current margins are 0.75% for base rate loans and 1.75% 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. At September 30, 2020, under the Credit Agreement, there were $12,858 in outstanding borrowings; outstanding standby letters of credit were $16,867; and $370,275 was available, subject to certain loan covenants, for borrowing at that date.

At September 30, 2020, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements. Net Debt to EBITDA (Leverage), as calculated in accordance with the definition in the Credit Agreement, was 3.4x at September 30, 2020.

In August 2016 and as amended on June 30, 2017, Griffon’s ESOP entered into a Term Loan with a bank (the "ESOP Agreement"). The Term Loan interest rate was LIBOR plus 3.00%. The Term Loan required quarterly principal payments of $569 with a balloon payment due at maturity. The Term Loan was secured by shares purchased with the proceeds of the loan and with a lien on a specific amount of Griffon assets (which ranked pari passu with the lien granted on such assets under the Credit Agreement) and was guaranteed by Griffon. On March 13, 2019, the ESOP Term Loan was refinanced with an internal loan from Griffon which was funded with cash and a draw under its Credit Agreement. The internal loan interest rate is fixed at 2.91%, matures in June 2033 and requires quarterly payments of principal, currently $635, and interest. The internal loan is secured by shares purchased with the proceeds of the loan. The amount outstanding on the internal loan at September 30, 2020 was $29,878.

Two Griffon subsidiaries have finance leases outstanding for real estate located in Troy, Ohio and Ocala, Florida. The leases mature in 2021 and 2025, respectively, and bear interest at fixed rates of approximately 5.0% and 5.6%, respectively. The Troy, Ohio lease is secured by a mortgage on the real estate and is guaranteed by Griffon. The Ocala, Florida lease contains two five-year renewal options. As of September 30, 2020, $17,188 was outstanding, net of issuance costs. Refer to Note 22 - Leases for further details.

In November 2012, Garant G.P. (“Garant”), a Griffon wholly owned subsidiary, entered into a CAD 15,000 ($11,210 as of September 30, 2020) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (1.44% LIBOR USD and 1.55% Bankers Acceptance Rate CDN as of September 30, 2020). The revolving facility matures in October 2022. Garant is required to maintain a certain minimum equity. As of September 30, 2020, there were no borrowings under the revolving credit facility with CAD 15,000 ($11,210 as of September 30, 2020) available for borrowing.

In July 2016, Griffon Australia Holdings Pty Ltd and its Australian subsidiaries ("Griffon Australia") entered into an AUD 29,625 term loan, AUD 20,000 revolver and AUD 10,000 receivable purchase facility agreement; the agreement was amended in March 2019. As amended, the term loan requires quarterly principal payments of AUD 1,250 plus interest with a balloon payment of AUD 9,625 due upon maturity in March 2022, and accrues interest at Bank Bill Swap Bid Rate “BBSY” plus 1.95% per annum (2.09% at September 30, 2020). During the year ended September 30, 2020, the term loan balance was reduced by AUD 5,000 from AUD 23,375 to AUD 18,375 with proceeds from an AUD 5,000 increase in the commitment of the receivables purchase line from AUD 10,000 to AUD 15,000. As of September 30, 2020, the term loan had an outstanding balance of AUD 15,875 ($11,287 as of September 30, 2020). The revolving facility and receivable purchase facility mature in March 2022, but are renewable upon mutual agreement with the lender. The revolving facility and receivable purchase facility accrue interest at BBSY plus 1.9% and 1.35%, respectively, per annum (2.04% and 1.49%, respectively, at September 30, 2020). At September 30, 2020, there were no balances outstanding under the revolver and the receivable purchase facility. The revolver, receivable purchase facility and term loan are all secured by substantially all of the assets of Griffon Australia and its subsidiaries. Griffon Australia is required to maintain a certain minimum equity level and is subject to a maximum leverage ratio and a minimum fixed charges cover ratio.

In July 2018, the AMES Companies UK Ltd and its subsidiaries (collectively, "Ames UK") entered into a GBP 14,000 term loan, GBP 4,000 mortgage loan and GBP 5,000 revolver. The term loan and mortgage loan require quarterly principal payments of GBP 438 and GBP 105 plus interest, respectively, and have balloon payments due upon maturity, July 2023, of GBP 7,088 and GBP 2,349, respectively. The term loan and mortgage loan accrue interest at the GBP LIBOR Rate plus 2.25% and 1.8%, respectively (2.30% and 1.85% at September 30, 2020, respectively). The revolving facility matures in May 2021, but is renewable upon mutual agreement with the lender, and accrues interest at the Bank of England Base Rate plus 1.5% (1.85% as of September 30, 2020). As of September 30, 2020, the revolver had no outstanding balance while the term and mortgage loan balances amounted to GBP 15,398 ($19,799 as of September 30, 2020). The revolver and the term loan are both secured by substantially all of the assets of AMES UK and its subsidiaries. AMES UK is subject to a maximum leverage ratio and a minimum fixed charges cover ratio. An invoice discounting arrangement was canceled and replaced by the above loan facilities.

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

During 2020, Griffon used cash for discontinued operations from operating activities of $2,577, primarily related insurance claims, warranty and environmental reserves.

Contractual Obligations

At September 30, 2020, payments to be made pursuant to significant contractual obligations are as follows:

	Payments Due by Period					
(in thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Other
Long-term debt (a)	$ 1,064,422	$ 9,922	$ 28,791	$ 16,358	$ 1,009,351	$ —
Interest expense	403,062	63,172	125,520	123,889	90,481	—
Operating lease obligations	204,590	38,411	58,885	35,391	71,903	—
Purchase obligations (b)	387,148	377,388	9,748	12	—	—
Capital expenditures	3,154	3,154	—	—	—	—
Supplemental & post-retirement benefits (c)	13,704	1,891	3,466	2,993	5,354	—
Uncertain tax positions (d)	883	—	—	—	—	883
Total obligations	$ 2,076,963	$ 493,938	$ 226,410	$ 178,643	$ 1,177,089	$ 883

(a) Included in long-term debt are finance leases of: $4,282 (less than 1 year), $5,070 (1-3 years), $4,193 (3-5 years) and $9,850 (more than 5 years).

(b) Purchase obligations are generally for the purchase of goods and services in the ordinary course of business. Griffon uses blanket purchase orders to communicate expected requirements to certain vendors. Purchase obligations reflect those purchase orders in which the commitment is considered to be firm. Purchase obligations that extend beyond 2020 are principally related to long-term contracts received from customers of Telephonics.

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

(d) Due to the uncertainty of the potential settlement of future uncertain tax positions, management is unable to estimate the timing of related payments, if any, that will be made subsequent to 2020. These amounts do not include any potential indirect benefits resulting from deductions or credits for payments made to other jurisdictions.

Off-Balance Sheet Arrangements

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

Off-Set Agreements

Telephonics may enter into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for its products and services from customers in foreign countries. These agreements promote investment in the applicable country, and Telephonics' obligations under these agreements may be satisfied through activities that do not require Griffon to use its cash, including transferring technology, providing manufacturing and other consulting support. The obligations under these agreements may also be satisfied through the use of cash for such activities as purchasing supplies from in-country vendors, setting up support centers, research and development investments, acquisitions, and building or leasing facilities for in-country operations, if applicable. The amount of the offset requirement is determined by contract value awarded and negotiated percentages with customers. At September 30, 2020, Telephonics had outstanding offset agreements approximating $27,000, primarily related to its Radar Systems division, some of which extend through 2029. Offset programs usually extend over several years and in some cases provide for penalties in the event Telephonics fails to perform in accordance with contract requirements. Historically, Telephonics has not been required to pay any such penalties and as of September 30, 2020, no such penalties are estimable or probable.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Revenue Recognition

Effective October 1, 2018, the Company adopted Accounting Standard Codification (“ASC”) Topic 606, Revenue from Contracts with Customers. Our statement of operations for the year ended September 30, 2020 and 2019 and our balance sheet as of September 30, 2020 and 2019 are presented under ASC 606, while our statement of operations for the year ended September 30, 2018 is presented under ASC 605, Revenue Recognition.

Under ASC Topic 606, performance obligation is a promise in a contract to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting under ASC Topic 606. A contract with a customer is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and with respect to which payment terms are identified and collectability is probable. Once the Company has entered into a contract or purchase order, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized when control of the promised products is transferred to the customer, or services are satisfied under the contract or purchase order, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price).

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when each performance obligation is satisfied. A majority of the Company’s contracts have a single performance obligation which represents, in most cases, the product being sold to the customer. To a lesser extent, some contracts include multiple performance obligations such as a product, the related installation, and extended warranty services. These contracts require judgment in determining the number of performance obligations. For contracts with multiple performance obligations, judgment is required to determine whether performance obligations specified in these contacts are distinct and should be accounted for as separate revenue transactions for recognition purposes. In these types of contracts, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Company uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. The transaction price includes variable consideration, such as discounts and volume rebates, when it is probable that a significant reversal of revenue recognized will not occur. Variable consideration is determined using either the expected value or the most likely amount of consideration to be received based on historical experience and the specific facts and circumstances at the time of evaluation.

Revenue from CPP and HBP Segments

Approximately 86% of the Company’s performance obligations are recognized at a point in time related to the manufacture and sale of a broad range of products and components primarily within the CPP and HBP Segments, and revenue is recognized when title, and risk and rewards of ownership, have transferred to the customer, which is generally upon shipment.

A majority of CPP's and HBP's revenue is short cycle in nature with shipments occurring within one year from order and does not include a material long-term financing component, implicitly or explicitly. Payment terms generally range between 15 to 90 days and vary by the location of the business, the type of products manufactured to be sold and the volume of products sold, among other factors.

The Company’s CPP and HBP Segments recognize revenue from product sales when all factors are met, including when control of a product transfers to the customer upon its shipment, completion of installation, testing, certification or other substantive acceptance required under the contract. Other than standard product warranty provisions, sales arrangements provide for no other significant post-shipment obligations on the Company. From time-to-time and for certain customers, rebates and other sales incentives, promotional allowances or discounts are offered, typically related to customer purchase volumes, all of which are fixed or determinable and are classified as a reduction of revenue and recorded at the time of sale. Griffon provides for sales returns and allowances based upon historical returns experience. The Company includes shipping costs billed to customers in revenue and the related shipping costs in Cost of Goods and Services.

The majority of the Company’s contracts in the CPP and HBP Segments offer assurance-type warranties in connection with the sale of a product to a customer. Assurance-type warranties provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. Such warranties do not represent a separate performance obligation.

Payment terms in the CPP and HBP Segments vary depending on the type and location of the customer and the products or services offered. Generally, the period between the time revenue is recognized and the time payment is due is not significant. Shipping and handling charges are not considered a separate performance obligation. Additionally, all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer (e.g., sales, use, value added, and some excise taxes) are excluded from revenue.

Revenue from Defense Electronics Segment

Approximately 14% of the Company's performance obligations are recognized over time and relate to prime or subcontractors from contract awards with the U.S. Government, as well as foreign governments and other commercial customers within our DE Segment. Revenue recognized over time is generally accounted for using an input measure to determine progress completed at the end of the period. We believe that cumulative costs incurred to date as a percentage of estimated total contract costs at completion (cost-to-cost method) is an appropriate measure of progress towards satisfaction of performance obligations recognized over time, as it most accurately depicts the progress of our work and transfer of control to our customers.

The Company's DE Segment earns a substantial portion of its revenue as either a prime contractor or subcontractor from contract awards with the U.S. Government, as well as foreign governments and other commercial customers to design, develop and manufacture highly sophisticated intelligence, surveillance and communications solutions. These contracts are typically long-term in nature, usually greater than one year, and do not include a material long-term financing component, either implicitly or explicitly. Revenue and profits from such contracts are recognized over time as work is performed because control of the work in process transfers continuously to the customer. For U.S. Government contracts, the continuous transfer of control to the customer is supported by contract clauses that provide for: (i) progress or performance-based payments or (ii) the unilateral right of the customer to terminate the contract for convenience, in which case we have the right to receive payment for costs incurred plus a reasonable profit for products and services that do not have alternative use to us. Foreign government and certain commercial contracts contain similar termination for convenience clauses, or we have a legally enforceable right to receive payment for costs incurred and a reasonable profit for product or services that do not have alternative use to us. Revenue and profits on fixed-price and cost-plus contracts that include performance obligations satisfied over time are recorded at amounts equal to the ratio of actual cumulative costs incurred divided by total estimated costs at completion, multiplied by the total estimated contract revenue, less the cumulative revenue recognized in prior periods. The profit recorded on a contract using this method is equal to the current estimated total profit margin multiplied by the cumulative revenue recognized, less the amount of cumulative profit previously recorded for the contract in prior periods.

Accounting for the sales and profits on performance obligations for which progress is measured using the cost-to-cost method relies on the substantial use of estimates, these projections may be revised throughout the life of a contract. Components of this formula and ratio that may be estimated include gross profit margin and total costs at completion. The cost performance and estimates to complete long-term contracts are reviewed, at a minimum, on a quarterly basis, as well as when information becomes available that would necessitate a review of the current estimate. Adjustments to estimates for a contract's estimated costs at completion and estimated profit or loss are often required as experience is gained, more information is obtained (even though the scope of work required under the contract may or may not change) and contract modifications occur. The impact of such adjustments to estimates is made on a cumulative basis in the period when such information has become known. The 2020, 2019, and 2018 income from operations included net favorable/(unfavorable) catch-up adjustments approximating $(10,650), $(4,500) and $1,400, respectively. Gross profit is impacted by a variety of factors, including the mix of products, systems and services, production efficiencies, price competition and general economic conditions.

Under fixed-price contracts, the Company agrees to perform the specified work for a pre-determined price. To the extent actual costs vary from the estimates upon which the price was negotiated, more or less profit will be generated, or a loss could be incurred.

Cost-reimbursable type contracts provide for the payment of allowable costs incurred on the contract plus the estimated profit on those costs. We provide our products and services under cost-plus-fixed-fee arrangements. The fixed fee is negotiated at the inception of the contract and that fixed-fee does not vary with actual costs.

For contracts in which anticipated total costs exceed the total expected revenue, an estimated loss is recognized in the period when identifiable. A provision for the entire amount of the estimated loss is recorded on a cumulative basis. The estimated remaining costs to complete loss contracts as of September 30, 2020 was $10,800 and is recorded as a reduction to gross margin on the Consolidated Statements of Operations and Comprehensive Income (Loss). This loss had an immaterial impact on Griffon's Consolidated Financial Statements.

Contract modifications routinely occur to account for changes in contract specifications or requirements. Depending on the nature of the modification, we consider whether to account for the modification as an adjustment to the existing contract or as a separate contract. Contract modifications for goods or services that are not distinct are accounted for as part of the existing contract on a cumulative catch-up basis.

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

Inventories

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

Griffon's businesses typically do not require inventory that is susceptible to becoming obsolete or dated. In general, Telephonics sells products in connection with programs authorized and approved under contracts awarded by the U.S. Government or agencies thereof, and in accordance with customer specifications. HBP produces residential and commercial sectional garage doors, commercial rolling steel door and grille products, and CPP produces long-handled tools and landscaping products, and storage
and organizational products, both in response to orders from customers of retailers and dealers or based on expected orders, as applicable.

Warranty Accruals

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

Stock-based Compensation

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

Compensation expense for restricted stock and restricted stock units is recognized ratably over the required service period based on the fair value of the grant, calculated as the number of shares or units granted multiplied by the stock price on the date of grant, and for performance shares or units, the likelihood of achieving the performance criteria. For certain restricted stock grants with a performance metric related to Griffon's stock price, the company performs a valuation as of the date of grant and recognizes the expense over the vesting period. The Company recognizes forfeitures as they occur.

Allowances for Discount, Doubtful Account and Returns

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

Acquisitions

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

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

Griffon has significant intangible and tangible long-lived assets on its balance sheet that includes goodwill and other intangible assets related to acquisitions. Goodwill represents the excess of the cost of net assets acquired in business combinations over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. We review goodwill and indefinite-lived intangibles for impairment at least annually in the fourth quarter, or more frequently whenever events or circumstances change that would more likely than not reduce the fair value of a reporting unit below the carrying amount. Such events or changes in circumstance include significant deterioration in overall economic conditions, changes in the business climate in which our reporting units operate, a decline in our market capitalization, operating performance indicators, when some portion of a reporting unit is disposed of or classified as held for sale, or when a change in the composition of reporting units occurs for other reasons, such as a change in operating segments.

We had three reporting units at September 30, 2020 and 2019, which are our operating segments. We use both qualitative and quantitative approaches when testing goodwill and indefinite-lived intangibles for impairment. When determining the approach to use, we consider the current facts and circumstances of each reporting unit, as well as the excess of each reporting unit's estimated fair value over its carrying value based on our most recent quantitative assessment. In addition, our qualitative approach evaluates industry and market conditions and various events impacting a reporting unit including, but not limited to, macroeconomic conditions, changes in the business environment in which our reporting units operate and other reporting unit specific events and circumstances. If, based on the qualitative assessment, we determine that it is more likely than not that the fair value of a reporting unit is greater than its carrying value, then a quantitative assessment is not necessary. However, if a quantitative assessment is necessary, we use the income approach methodology of valuation that includes the present value of expected future cash flows.

We performed a quantitative annual impairment test as of September 30, 2019, and an interim quantitative impairment test as of March 31, 2020, to assess the impact of the global outbreak of COVID-19, using discounted future cash flows for each reporting unit, which did not result in impairments to goodwill. The more significant assumptions used for the interim impairment test as of March 31, 2020 were a five-year cash flow projection and a 3.0% terminal value to which discount rates between 7.1% and 9.0% were applied to calculate each unit's fair value. To substantiate fair values derived from the income approach methodology of valuation, the implied fair value was compared to the marketplace fair value of a comparable industry grouping for reasonableness. Further, the fair values were reconciled to Griffon's market capitalization.

We performed a qualitative assessment as of September 30, 2020, as the estimated fair values of each reporting unit significantly exceeded the carrying value based on our most recent quantitative assessment, which was performed as of March 31, 2020. Our qualitative assessment determined that indicators that the fair value of each reporting unit was less than the carrying value were not present.

With respect to indefinite-lived intangibles we performed a quantitative annual impairment test as of September 30, 2019, and an interim quantitative impairment test as of March 31, 2020, to assess the impact of the global outbreak of COVID-19, using a relief from royalty method, neither of which resulted in an impairment. We performed a qualitative assessment as of September 30, 2020 considering all the above factors and determined that indefinite-lived intangibles fair values were greater than their book values.

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

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

Leases

On October 1, 2019, the Company adopted the Accounting Standards Codifications ("ASC") Topic 842, Leases, which requires the recording of operating lease Right-of-Use ("ROU") assets and operating lease liabilities. Finance leases were not impacted by the adoption of ASC Topic 842, as finance lease liabilities and the corresponding assets were already recorded in the balance sheet under the previous guidance, ASC Topic 840. The Company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows us to carry forward the historical lease classification. We also elected a practical expedient to determine the reasonably certain lease term.

The Company applied the modified retrospective approach, whereby the cumulative effect of adoption is recognized as of the date of adoption and comparative prior periods are not retrospectively adjusted. As a result, upon adoption, we have recognized ROU assets of $163,552 and lease liabilities of $163,676 associated with our operating leases. The standard had no material impact to retained earnings or on our Consolidated Statements of Income or Consolidated Statements of Cash Flows.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. For leases existing as of October 1, 2019, we have elected to use the remaining lease term as of the adoption date in determining the incremental borrowing rate. Our determination of the lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

The Company determines if an arrangement is a lease at inception. The ROU assets and short and long-term liabilities associated with our operating leases are shown as separate line items on our Consolidated Balance Sheets. Finance leases are included in property, plant, and equipment, net, other accrued liabilities, and other non-current liabilities.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases and impaired operating leases, the ROU asset is depreciated on a straight-line basis over the remaining lease term, along with recognition of interest expense associated with accretion of the lease liability. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the Consolidated Balance Sheets. Variable lease cost for both operating and finance leases, if any, is recognized as incurred. The Company has lease agreements that contain both lease and non-lease components. For real estate leases, we account for lease components together with non-lease components (e.g., common-area maintenance).

Restructuring Reserves

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

Income Taxes

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

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

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

Pension Benefits

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

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

New Accounting Standards

For a discussion of the new accounting standards impacting the Company, see Note 1 to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rates

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

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

Foreign Exchange

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

Item 8. Financial Statements and Supplementary Data

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

- Report of Independent Registered Public Accounting Firm.
- Consolidated Balance Sheets at September 30, 2020 and 2019.
- Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended September 30, 2020, 2019 and 2018.
- Consolidated Statements of Cash Flows for the years ended September 30, 2020, 2019 and 2018.
- Consolidated Statements of Shareholders’ Equity for the years ended September 30, 2020, 2019 and 2018.
- Notes to Consolidated Financial Statements.
- Schedule II – Valuation and Qualifying Account.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Griffon Corporation

Opinions on the financial statements and internal control over financial reporting

We have audited the accompanying consolidated balance sheets of Griffon Corporation (a Delaware corporation) and subsidiaries (the "Company") as of September 30, 2020 and 2019, the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2020, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of September 30, 2020, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

Basis for opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and limitations of internal control over financial reporting

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

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

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue from Customer Contracts - Defense and Electronics Segment
As described further in note 2 to the consolidated financial statements, the Company's Defense and Electronics segment earns its revenue as either a prime contractor or subcontractor from contract awards with the U.S. Government, as well as foreign governments and other commercial contracts. Such contracts are typically long-term in nature and revenue and profits are recognized over time, primarily under fixed-price arrangements, which are determined using the cost-to-cost measure of progress. Using the cost-to-cost measure of progress, revenue is recorded at amounts equal to the ratio of actual cumulative costs incurred to date, divided by total estimated costs at completion, multiplied by the total estimated contract revenue, less the cumulative revenue recognized in prior periods. The profit recorded on a contract using this method is equal to the current estimated profit margin multiplied by the cumulative revenue recognized, less the amount of cumulative profit previously recorded for the contract in prior periods. This method relies on substantial use of estimates. These estimations require the Company to have effective cost estimation processes, forecasting, and revenue and expense reporting. Due to these aspects, this issue was considered a critical audit matter.

The principal consideration for our determination that segment revenue and gross profit recognition is a critical audit matter is that significant management judgments and estimates are utilized to determine total costs at contract completion and are subject to estimation uncertainty and require significant auditor subjectivity in evaluating those judgments and estimates.

Our audit procedures related to the segment revenue recognition included the following. We tested the design and operating effectiveness of controls relating to the cost accumulation, cost estimation and revenue recognition processes, including the Company's ability to develop the estimates utilized in determining costs at completion. We inspected a selection of contracts; and evaluated those contracts for appropriate revenue recognition and consideration over key terms and provisions. We analyzed trends in revenue, costs and margin on all contracts, on a contract-by-contract basis, both year-over-year and since contract inception to assess the historical accuracy of management's estimates in the final outcomes of projects. We assessed the appropriateness of adjustments to estimates on a cumulative basis for the year ended September 30, 2020 and their impact on the financial statements. We tested the cost accumulation process by obtaining and inspecting underlying documents for a sample of labor, material costs and overhead and agreeing to amounts recorded by the Company. We also recalculated revenue and gross profit recognized for the year ended September 30, 2020, for a selection of contracts, to test the accuracy of amounts recognized.

Goodwill and Indefinite-Lived Intangible Assets Impairment Assessment
As described further in note 1 and note 6 to the consolidated financial statements, the Company tests goodwill at least annually at the reporting unit level. Due to the impact of the COVID-19 pandemic on the general deterioration in economic and market conditions, the Company completed an interim goodwill impairment test as of March 31, 2020, in addition to the Company's annual impairment assessment as of September 30, 2020. The Company performed the interim impairment testing of goodwill as of March 31, 2020, comparing the fair value of the Company's reporting units to the respective reporting unit's carrying value, including goodwill. The fair value of its reporting units was determined using the income approach methodology, that includes the present value of expected future cash flows and the use of market assumptions specific to the Company's reporting units. The Company used prospective financial information to which discount rates were applied to calculate each unit's fair value. The implied fair value determined under the income approach was also compared to the marketplace fair value of a comparable industry grouping for reasonableness and further, the fair values were reconciled to the Company's market capitalization at March 31, 2020. Similarly to goodwill, the Company tested indefinite-lived intangibles for impairment as of March 31, 2020. The Company utilized a relief from royalty method to calculate and compare the fair value of the intangible assets to its book value, which includes the use of market assumptions specific to the Company's reporting units. With respect to the annual impairment assessment as of September 30, 2020, the Company performed a qualitative assessment to determine whether it was more likely than not that goodwill was impaired as of September 30, 2020. This qualitative assessment was also used for the annual impairment testing of indefinite-lived intangibles. We identified the Company's interim impairment testing of goodwill and indefinite-lived intangible assets ("interim impairment testing") as a critical audit matter.

The principal considerations for our determination that the interim impairment testing is a critical audit matter are as follows. The determination of the fair value of reporting units requires management to make significant estimates and assumptions related to forecasts of future cash flows and discount rates. This requires management to evaluate historical results and expectations of future operating performance based on relevant information available to them regarding expectations of industry performance, as well as expectations for entity-specific performance. In addition, determining the discount rate requires management to evaluate the appropriate risk premium based on their judgment of industry and entity-specific risks. As disclosed by management, changes in these assumptions could have a significant impact on the fair value of the reporting units. In turn, auditing these judgments and assumptions requires a high degree auditor judgment.

Our audit procedures related to the interim impairment testing included the following: We tested the design and operating effectiveness of controls relating to the interim impairment testing, including the Company's ability to develop the estimates utilized in calculating the fair value of each reporting unit and indefinite-lived intangible assets. Such estimates included prospective financial information, long-term growth rates, discount rates and weighted average cost of capital. With the assistance of valuation specialists, we evaluated the appropriateness of the valuation methodology utilized and assessed the appropriateness of inputs utilized. We evaluated the qualifications of those responsible for preparing the calculations of fair values. We tested the inputs, significant judgments and estimates utilized in performing the annual impairment tests, which included comparing management's judgments and estimates to industry and market data. We tested the inputs, significant judgments and estimates, as follows: a) tested prospective financial information and long-term growth rates by comparing to historical trends and industry expectations, performed a sensitivity analysis over growth rates and assessed management's historical ability to accurately forecast; b) tested discounts rates by comparing to historical rates and industry expectations, compared rates to market comparable companies and independently calculated discount rates for comparison to those used by management; and c) tested weighted average cost of capital by analyzing the implied discount rate and independently calculated a weighted-average discount rate using individual discount rates and compared to the rate utilized by management. We tested the inputs, significant judgment and estimates in the Company's reconciliation to its market capitalization. These included: a) allocation of unallocated corporate costs, whereby we agreed such costs to historical amounts, analyzed the composition of unallocated costs to assess appropriateness and sensitized the goodwill impairment analysis by allocating certain costs to the reporting units based on their relative fair values; and b) fair values of each reporting unit as determined in the interim impairment testing and agreed equity values to audited financial information.

/S/ GRANT THORNTON LLP

We have served as the Company's auditor since 2006.

New York, New York
November 12, 2020

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

	At September 30, 2020	At September 30, 2019
CURRENT ASSETS		
Cash and equivalents	$ 218,089	$ 72,377
Accounts receivable, net of allowances of $17,758 and $7,881	348,124	264,450
Contract assets, net of progress payments of $24,175 and $11,259	84,426	105,111
Inventories	413,825	442,121
Prepaid and other current assets	46,897	40,799
Assets of discontinued operations	2,091	321
Total Current Assets	1,113,452	925,179
PROPERTY, PLANT AND EQUIPMENT, net	343,964	337,326
OPERATING LEASE RIGHT-OF-USE ASSETS	161,627	—
GOODWILL	442,643	437,067
INTANGIBLE ASSETS, net	355,028	356,639
OTHER ASSETS	32,897	15,840
ASSETS OF DISCONTINUED OPERATIONS	6,406	2,888
Total Assets	$ 2,456,017	$ 2,074,939
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	$ 9,922	$ 10,525
Accounts payable	232,107	250,576
Accrued liabilities	171,572	124,665
Current portion of operating lease liabilities	31,848	—
Liabilities of discontinued operations	3,797	4,333
Total Current Liabilities	449,246	390,099
LONG-TERM DEBT, net	1,037,042	1,093,749
LONG-TERM OPERATING LEASE LIABILITIES	136,054	—
OTHER LIABILITIES	126,510	109,997
LIABILITIES OF DISCONTINUED OPERATIONS	7,014	3,331
Total Liabilities	1,755,866	1,597,176
COMMITMENTS AND CONTINGENCIES - See Note 14		
SHAREHOLDERS' EQUITY		
Preferred stock, par value $0.25 per share, authorized 3,000 shares, no shares issued	—	—
Common stock, par value $0.25 per share, authorized 85,000 shares, issued shares of 83,739 and 82,775, respectively.	20,935	20,694
Capital in excess of par value	583,008	519,017
Retained earnings	607,518	568,516
Treasury shares, at cost, 27,610 common shares and 35,969 common shares	(413,493)	(536,308)
Accumulated other comprehensive loss	(72,092)	(65,916)
Deferred compensation	(25,725)	(28,240)
Total Shareholders' Equity	700,151	477,763
Total Liabilities and Shareholders' Equity	$ 2,456,017	$ 2,074,939

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

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

	Years Ended September 30,		
	2020	2019	2018
Revenue	$ 2,407,522	$ 2,209,289	$ 1,977,918
Cost of goods and services	1,766,096	1,625,815	1,466,600
Gross profit	641,426	583,474	511,318
Selling, general and administrative expenses	486,398	447,163	418,517
Income from continuing operations	155,028	136,311	92,801
Other income (expense)			
Interest expense	(66,544)	(68,066)	(65,568)
Interest income	753	806	1,697
Loss from debt extinguishment	(7,925)	—	—
Other, net	1,445	3,127	4,880
Total other income (expense)	(72,271)	(64,133)	(58,991)
Income before taxes from continuing operations	82,757	72,178	33,810
Provision for income taxes	29,328	26,556	555
Income from continuing operations	$ 53,429	$ 45,622	$ 33,255
Discontinued operations:			
Income (loss) from operations of discontinued businesses	—	(11,050)	119,981
Provision for income taxes	—	(2,715)	27,558
Income (loss) from discontinued operations	—	(8,335)	92,423
Net income	$ 53,429	$ 37,287	$ 125,678
Income from continuing operations	$ 1.25	$ 1.11	$ 0.81
Income (loss) from discontinued operations	—	(0.20)	2.25
Basic earnings per common share	$ 1.25	$ 0.91	$ 3.06
Weighted-average shares outstanding	42,588	40,934	41,005
Income from continuing operations	$ 1.19	$ 1.06	$ 0.78
Income (loss) from discontinued operations	—	(0.20)	2.18
Diluted earnings per common share	$ 1.19	$ 0.87	$ 2.96
Weighted-average shares outstanding	45,015	42,888	42,422
Net income	$ 53,429	$ 37,287	$ 125,678
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	5,601	(8,460)	9,403
Pension and other post retirement plans	(11,784)	(23,055)	16,381
Gain (loss) on cash flow hedge	7	(289)	585
Total other comprehensive income (loss), net of taxes	(6,176)	(31,804)	26,369
Comprehensive income	$ 47,253	$ 5,483	$ 152,047

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

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

	Years Ended September 30,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES - CONTINUING OPERATIONS:			
Net income	$ 53,429	$ 37,287	$ 125,678
Net (income) loss from discontinued operations	—	8,335	(92,423)
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	62,409	61,848	55,803
Stock-based compensation	17,580	15,914	19,610
Asset impairment charges - restructuring	4,692	—	—
Provision for losses on accounts receivable	1,332	535	96
Amortization of deferred financing costs and debt discounts	3,661	5,393	5,219
Loss from debt extinguishment	7,925	—	—
Deferred income tax	2,095	(2,222)	(17,633)
(Gain)/ loss on sale/disposal of assets and investments	(287)	(179)	290
Change in assets and liabilities, net of assets and liabilities acquired:			
(Increase) decrease in accounts receivable and contract assets	(62,366)	8,279	2,681
(Increase) decrease in inventories	34,080	(24,938)	(52,122)
Increase in prepaid and other assets	(13,582)	(4,285)	(2,285)
Increase in accounts payable, accrued liabilities and income taxes payable	25,044	7,638	11,078
Other changes, net	1,017	353	2,200
Net cash provided by operating activities - continuing operations	137,029	113,958	58,192
CASH FLOWS FROM INVESTING ACTIVITIES - CONTINUING OPERATIONS:			
Acquisition of property, plant and equipment	(48,998)	(45,361)	(50,138)
Acquired business, net of cash acquired	(10,531)	(9,219)	(430,932)
Investment purchases	(130)	(149)	—
Proceeds (payments) from sale of business	—	(9,500)	474,727
Insurance proceeds (payments)	—	(10,604)	8,254
Proceeds from sale of property, plant and equipment	352	280	663
Net cash provided by (used in) investing activities - continuing operations	(59,307)	(74,553)	2,574
CASH FLOWS FROM FINANCING ACTIVITIES - CONTINUING OPERATIONS:			
Proceeds from issuance of common stock	178,165	—	—
Dividends paid	(14,529)	(13,676)	(49,797)
Purchase of shares for treasury	(7,479)	(1,478)	(45,605)
Proceeds from long-term debt	1,240,080	201,748	443,058
Payments of long-term debt	(1,308,915)	(218,248)	(300,993)
Change in short-term borrowings	—	(366)	144
Financing costs	(17,384)	(1,090)	(7,793)
Contingent consideration for acquired businesses	(1,733)	(1,686)	—
Other, net	(15)	(180)	51
Net cash provided by (used) in financing activities - continuing operations	68,190	(34,976)	39,065

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

CASH FLOWS FROM DISCONTINUED OPERATIONS:			
Net cash used in operating activities	(3,021)	(2,123)	(45,624)
Net cash provided by (used in) investing activities	444	—	(10,762)
Net cash used in financing activities	—	—	(22,541)
Net cash used in discontinued operations	(2,577)	(2,123)	(78,927)
Effect of exchange rate changes on cash and equivalents	2,377	313	1,173
NET INCREASE IN CASH AND EQUIVALENTS	145,712	2,619	22,077
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	72,377	69,758	47,681
CASH AND EQUIVALENTS AT END OF PERIOD	$ 218,089	$ 72,377	$ 69,758
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	$ 63,139	$ 63,334	$ 59,793
Cash paid for taxes	21,016	25,339	32,140

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

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

	COMMON STOCK		CAPITAL IN 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 9/30/2017	80,663	$ 20,166	$ 487,077	$ 480,347	33,557	$ (489,225)	$ (60,481)	$ (39,076)	$ 398,808
Net income (loss)	—	—	—	125,678	—	—	—	—	125,678
Dividends	—	—	—	(55,502)	—	—	—	—	(55,502)
Shares withheld on employee taxes on vested equity awards	—	—	—	—	200	(4,495)	—	—	(4,495)
Amortization of deferred compensation	—	—	—	—	—	—	—	8,110	8,110
Common stock acquired	—	—	—	—	2,089	(41,110)	—	—	(41,110)
Equity awards granted, net	857	214	(214)	—	—	—	—	—	—
ESOP allocation of common stock	—	—	4,756	—	—	—	—	—	4,756
Stock-based compensation	—	—	10,078	—	—	—	—	—	10,078
Stock-based consideration	—	—	1,699	—	—	—	—	—	1,699
Other comprehensive loss, net of tax	—	—	—	—	—	—	26,369	—	26,369
Balance at 9/30/2018	81,520	20,380	503,396	550,523	35,846	(534,830)	(34,112)	(30,966)	474,391
Net income (loss)	—	—	—	37,287	—	—	—	—	37,287
Cumulative catch-up adjustment related to adoption of ASC 606	—	—	—	(5,618)	—	—	—	—	(5,618)
Dividends	—	—	—	(13,676)	—	—	—	—	(13,676)
Shares withheld on employee taxes on vested equity awards	—	—	—	—	86	(1,106)	—	—	(1,106)
Amortization of deferred compensation	—	—	—	—	—	—	—	2,726	2,726
Common stock acquired	—	—	—	—	37	(372)	—	—	(372)
Equity awards granted, net	1,255	314	(314)	—	—	—	—	—	—
ESOP allocation of common stock	—	—	1,512	—	—	—	—	—	1,512
Stock-based compensation	—	—	13,285	—	—	—	—	—	13,285
Stock-based consideration	—	—	1,138	—	—	—	—	—	1,138
Other comprehensive loss, net of tax	—	—	—	—	—	—	(31,804)	—	(31,804)
Balance at 9/30/2019	82,775	20,694	519,017	568,516	35,969	(536,308)	(65,916)	(28,240)	477,763
Net income (loss)	—	—	—	53,429	—	—	—	—	53,429
Dividends	—	—	—	(14,427)	—	—	—	—	(14,427)
Shares withheld on employee taxes on vested equity awards	—	—	—	—	341	(7,479)	—	—	(7,479)
Amortization of deferred compensation	—	—	—	—	—	—	—	2,515	2,515
Common stock issued, net of issuance costs	—	—	46,900	—	(8,700)	130,294	—	—	177,194
Equity awards granted, net	964	241	(241)	—	—	—	—	—	—
ESOP allocation of common stock	—	—	1,985	—	—	—	—	—	1,985

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

Stock-based compensation	—	—	14,702	—	—	—	—	—	14,702
Stock-based consideration	—	—	645	—	—	—	—	—	645
Other comprehensive loss, net of tax	—	—	—	—	—	—	(6,176)	—	(6,176)
Balance at 9/30/2020	83,739	20,935	583,008	607,518	27,610	(413,493)	(72,092)	(25,725)	700,151

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

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

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

Description of business

Griffon Corporation (the "Company", "Griffon", "we" or "us") 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.

The Company was founded in 1959, is a Delaware corporation headquartered in New York, N.Y. and is listed on the New York Stock Exchange (NYSE:GFF).

In August 2020 Griffon Corporation completed the public offering of 8,700,000 shares of our common stock for total net proceeds of $178,165 (the "Public Offering"). The Company used a portion of the net proceeds to repay outstanding borrowings under its Credit Agreement. The Company intends to use the remainder of the proceeds for general corporate purposes, including to expand its current business through acquisitions of, or investments in, other businesses or products.

On February 19, 2020, Griffon issued, at par, $850,000 of 5.75% Senior Notes due in 2028 (the "2028 Senior Notes") and on June 8, 2020 Griffon issued an additional $150,000 of notes under the same indenture, at 100.25% of par (collectively, the "2028 Senior Notes"). Proceeds from the 2028 Senior Notes were used to redeem the $1,000,000 of 5.25% Senior Notes due 2022 (the "2022 Senior Notes").

In January 2020, Griffon amended its credit agreement to increase the total amount available for borrowing from $350,000 to $400,000, extend its maturity date from March 22, 2021 to March 22, 2025 and modify certain other provisions of the facility (the "Credit Agreement").

In November 2019, Griffon announced the development of a next-generation business platform for CPP to enhance the growth, efficiency, and competitiveness of its U.S. operations, and on November 12, 2020, Griffon announced that CPP is broadening this strategic initiative to include additional North American facilities, the AMES UK and Australia businesses, and a manufacturing facility in China.

The expanded focus of this initiative leverages the same three key development areas being executed within our U.S. operations. First, multiple independent information systems will be unified into a single data and analytics platform, which will serve the whole AMES global enterprise. Second, certain AMES global operations will be consolidated to optimize facilities footprint and talent. Third, strategic investments in automation and facilities expansion will be made to increase the efficiency of our manufacturing and fulfillment operations, and support e-commerce growth.

The cost to implement this new business platform, over the duration of the project, will include one-time charges of approximately $65,000 (increased from $35,000) and capital investments of approximately $65,000 (increased from $40,000). The one-time charges are comprised of $46,000 of cash charges, which includes $26,000 of personnel-related costs such as training, severance, and duplicate personnel costs as well as $20,000 of facility and lease exit costs. The remaining $19,000 of charges are non-cash and are primarily related to asset write-downs.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the U.S. and the world. While Griffon has not incurred significant disruptions to its manufacturing or supply chain thus far, the Company continues to actively monitor the situation and evaluate the nature and extent of the impact of the COVID-19 pandemic on its businesses, consolidated results of operations and financial condition. Griffon places a high priority on the health and safety of its employees, customers and their families, and has implemented a variety of new policies and procedures, including additional cleaning, social distancing, staggered shifts and prohibiting or significantly restricting on-site visitors, to minimize the risk to its employees of contracting COVID-19. Although many U.S. states lifted initial executive orders issued earlier in the year requiring all workers to remain at home unless their work is critical, essential, or life-sustaining, some states and localities have recently put in place new restrictions regarding the operation of many types of businesses, or have tightened up restrictions already in place, in response to the recent worsening of the COVID-19 outbreak. As of the date of this filing, all of Griffon's facilities are fully operational and the Company's supply chains have not experienced significant disruption. Griffon manufactures a substantial majority of its products that it sells, with the majority of manufacturing activities conducted in the United States. As a result, Griffon has been able to mitigate the adverse impact of the COVID-19 pandemic on the global supply chain. While Griffon is unable to determine or predict the nature, duration or scope of the overall impact the COVID-19 pandemic will have on its businesses, results of operations, liquidity or capital resources, Griffon will continue to actively monitor the situation and may take further actions that impact its operations as may be required by federal, state or local authorities or that it determines is in the best interests of its employees, customers, suppliers and shareholders. For additional factors to consider, see Part 1, Item 1A, "Risk Factors" in this Form 10-K.

Griffon currently conducts its operations through three reportable segments:

- Consumer and Professional Products ("CPP") conducts its operations through The AMES Companies, Inc. ("AMES"). Founded in 1774, AMES is the leading North American manufacturer and a global provider of branded consumer and professional tools and products for home storage and organization, landscaping, and enhancing outdoor lifestyles. CPP sells products globally through a portfolio of leading brands including True Temper, AMES, and ClosetMaid.

- Home and Building Products ("HBP") conducts its operations through Clopay. Founded in 1964, Clopay is the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Residential and commercial sectional garage doors are sold through professional dealers and leading home center retail chains throughout North America under the brands Clopay, Ideal, and Holmes. Rolling steel door and grille products designed for commercial, industrial, institutional, and retail use are sold under the CornellCookson brand.

- Defense Electronics ("DE") conducts its operations through Telephonics Corporation ("Telephonics"), founded in 1933, a globally recognized leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.

Consolidation

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

Earnings per share

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

Discontinued operations

On November 16, 2017, Griffon announced it entered into a definitive agreement to sell Plastics and on February 6, 2018, completed the sale to Berry for approximately $465,000, net of certain post-closing adjustments. As a result, Griffon classified the results of operations of the Plastics business as discontinued operations in the Consolidated Statements of Operations for all periods presented and classified the related assets and liabilities associated with the discontinued operations in the consolidated balance sheets. All results and information presented exclude Plastics unless otherwise noted. See Note 7, Discontinued Operations.

Reclassifications

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

Use of estimates

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

Cash and equivalents

Griffon considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Cash equivalents primarily consist of overnight commercial paper, highly-rated liquid money market funds backed by U.S. Treasury securities and U.S. Agency securities, as well as insured bank deposits. Griffon had cash in non-U.S. bank accounts of approximately $55,000 and $34,200 at September 30, 2020 and 2019, respectively. Substantially all U.S. cash and equivalents are in excess of FDIC insured limits. Griffon regularly evaluates the financial stability of all institutions and funds that hold its cash and equivalents.

Fair value of financial instruments

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

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

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

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

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

The fair value of Griffon's 2028 Senior Notes approximated $1,040,000, on September 30, 2020. Fair values were based upon quoted market prices (level 1 inputs).

Insurance contracts with a value of $3,436 at September 30, 2020 are measured and recorded at fair value based upon quoted prices in active markets for similar assets (level 2 inputs) and are included in Other current assets on the consolidated balance sheet.

Items Measured at Fair Value on a Recurring Basis

At September 30, 2020 and 2019, trading securities, measured at fair value based on quoted prices in active markets for similar assets (level 2 inputs), with a fair value of $1,703 ($1,000 cost basis) and $1,518 ($1,000 cost basis), respectively, were included in Prepaid and other current assets on the Consolidated Balance Sheets.

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 2020 and 2019, Griffon entered into several such contracts in order to lock into a foreign currency rate for planned settlements of trade and inter-company liabilities payable in USD.

At September 30, 2020 and 2019, Griffon had $32,000 and $14,000 of Australian dollar contracts at a weighted average rate of $1.41 and $1.48, respectively, which qualified for hedge accounting. These hedges were all deemed effective as cash flow hedges with gains and losses related to changes in fair value deferred and recorded in Other comprehensive income (loss) and Prepaid and other current assets, or Accrued liabilities, until settlement. Upon settlement, gains and losses were recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services. AOCI included deferred losses of $168 ($109, net of tax) and deferred gains of $327 ($213, net of tax) at September 30, 2020 and 2019, respectively. Upon settlement, gains (losses) of $(2,163) and $1,361 were recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services ("COGS") during 2020 and 2019, respectively. Contracts expire in 30 to 146 days.

At September 30, 2020 and 2019, Griffon had $7,900 and $3,500, respectively, of Canadian dollar contracts at a weighted average rate of $1.33 and $1.32. These contracts, which protect Canadian operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting and fair value gains (losses) of $(92) and $14 were recorded in Other assets and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs), for the years ended September 30, 2020 and 2019, respectively. Realized gains of $189 and $68, were recorded in Other income during 2020 and 2019, respectively. Contracts expire in 30 to 360 days.

At September 30, 2020, Griffon had $5,400 of Great Britain Pound contracts at a weighted average rate of $0.77. These contracts, which protect U.K. operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting and fair value gains of $39 were recorded in Other assets and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs), for the years ended September 30, 2020. There were no realized gains or losses recorded for these contracts during the year ended September 30, 2020. Contracts expire in 2 to 208 days.

Pension plan assets with a fair value of $147,145 at September 30, 2020, are measured and recorded at fair value based upon quoted prices in active markets for identical assets (level 1 inputs), quoted market prices for similar assets (level 2 inputs) and fair value assumptions for unobservable inputs in which little or no market data exists (level 3).

Non-U.S. currency translation

Assets and liabilities of non-U.S. subsidiaries, where the functional currency is not the U.S. dollar, have been translated at year-end exchange rates and profit and loss accounts have been translated using weighted average exchange rates. Adjustments resulting from currency translation have been recorded in the equity section of the balance sheet in AOCI as cumulative translation adjustments. Cumulative translation adjustments were gains (losses) of $5,601 and $(8,460) for 2020 and 2019, respectively. As of September 30, 2020 and 2019, the foreign currency translation components of Accumulated other comprehensive loss were $25,683 and $31,284, respectively. Assets and liabilities of an entity that are denominated in currencies other than that entity’s functional currency are re-measured into the functional currency using period end exchange rates, or historical rates where applicable to certain balances. Gains and losses arising on remeasurements are recorded within the Consolidated Statement of Operations and Comprehensive Income as a component of Other income (expense).

Revenue recognition

Effective October 1, 2018, the Company adopted Accounting Standard Codification (“ASC”) Topic 606, Revenue from Contracts with Customers. Our statement of operations for the year ended September 30, 2020 and 2019 and our balance sheet as of September 30, 2020 and 2019 are presented under ASC 606, while our statement of operations for the year ended September 30, 2018 is presented under ASC 605, Revenue Recognition.

Under ASC Topic 606, performance obligation is a promise in a contract to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting under ASC Topic 606. A contract with a customer is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and with respect to which payment terms are identified and collectability is probable. Once the Company has entered into a contract or purchase order, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized when control of the promised products is transferred to the customer, or services are satisfied under the contract or purchase order, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price).

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when each performance obligation is satisfied. A majority of the Company’s contracts have a single performance obligation which represents, in most cases, the product being sold to the customer. To a lesser extent, some contracts include multiple performance obligations such as a product, the related installation, and extended warranty services. These contracts require judgment in determining the number of performance obligations. For contracts with multiple performance obligations, judgment is required to determine whether performance obligations specified in these contacts are distinct and should be accounted for as separate revenue transactions for recognition purposes. In these types of contracts, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Company uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. The transaction price includes variable consideration, such as discounts and volume rebates, when it is probable that a significant reversal of revenue recognized will not occur. Variable consideration is determined using either the expected value or the most likely amount of consideration to be received based on historical experience and the specific facts and circumstances at the time of evaluation.

Approximately 86% of the Company’s performance obligations are recognized at a point in time related to the manufacture and sale of a broad range of products and components primarily within the CPP and HBP Segments, and revenue is recognized when title, and risk and rewards of ownership, have transferred to the customer, which is generally upon shipment.

Approximately 14% of the Company’s performance obligations are recognized over time and relate to prime or subcontractors from contract awards with the U.S. Government, as well as foreign governments and other commercial customers within our DE Segment. Revenue recognized over time are generally accounted for using an input measure to determine progress completed at the end of the period. We believe that cumulative costs incurred to date as a percentage of estimated total contract costs at completion (cost-to-cost method) is an appropriate measure of progress towards satisfaction of performance obligations recognized over time, as it most accurately depicts the progress of our work and transfer of control to our customers.

Refer to Note 2 - Revenue for a discussion of our revenue recognition practices for each of our reportable segments.

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

Accounts receivable is composed principally of trade accounts receivable, that arise from the sale of goods or services on account, and is stated at historical cost. A substantial portion of Griffon’s trade receivables are from customers within the CPP and HBP businesses, of which the largest customer is Home Depot, whose financial condition is dependent on the construction and related retail sectors of the economy. As a percentage of consolidated accounts receivable, U.S. Government related programs were 9% and Home Depot was 18%. Griffon performs continuing evaluations of the financial condition of its customers, and although Griffon generally does not require collateral, letters of credit may be required from customers in certain circumstances.

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

Customer program reserves and cash discounts are netted against accounts receivable when it is customer practice to reduce invoices for these amounts. The amounts netted against accounts receivable in 2020 and 2019 were $27,607 and $17,322, respectively.

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

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

Contract assets

Contract assets consists of amounts accounted for under the cost-to-cost method of accounting, recoverable costs and accrued profit that cannot yet be invoiced under the terms of certain long-term contracts. Amounts will be invoiced when applicable contract terms, such as the achievement of specified milestones or product delivery, are met. At September 30, 2020 and 2019, approximately $7,500 and $13,100, respectively, of contract assets were expected to be collected after one year.

Inventories

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

Griffon's businesses typically do not require inventory that is susceptible to becoming obsolete or dated. In general, Telephonics sells products in connection with programs authorized and approved under contracts awarded by the U.S. Government or agencies thereof and in accordance with customer specifications. HBP produces residential and commercial sectional garage doors, commercial rolling steel door and grille products, and CPP produces long-handled tools and landscaping products, and storage and organizational products, both in response to orders from customers of retailers and dealers or based on expected orders, as applicable.

Property, plant and equipment

Property, plant and equipment includes the historical cost of land, buildings, equipment and significant improvements to existing plant and equipment or, in the case of acquisitions, a fair market value appraisal of such assets completed at the time of acquisition. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss is recognized. No event or indicator of impairment occurred during the three years ended September 30, 2020, which would require additional impairment testing of property, plant and equipment.

Depreciation expense, which includes amortization of assets under capital leases, was $52,819, $51,926 and $46,733 in 2020, 2019 and 2018, respectively, and was calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation included in SG&A expenses was $19,656, $19,026 and $16,306 in 2020, 2019 and 2018, respectively. The remaining components of depreciation, attributable to manufacturing operations, are included in Cost of goods and services. Estimated useful lives for property, plant and equipment are as follows: buildings and building improvements, 25 to 40 years; machinery and equipment, 2 to 15 years; and leasehold improvements, over the term of the lease or life of the improvement, whichever is shorter.

Capitalized interest costs included in Property, plant and equipment were $2,520, $2,925 and $2,896 for the years ended September 30, 2020, 2019 and 2018, respectively. The original cost of fully-depreciated property, plant and equipment remaining in use at September 30, 2020 was approximately $262,255.

Goodwill and indefinite-lived intangibles

Griffon has significant intangible and tangible long-lived assets on its balance sheet that includes goodwill and other intangible assets related to acquisitions. Goodwill represents the excess of the cost of net assets acquired in business combinations over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. We review goodwill and indefinite-lived intangibles for impairment at least annually in the fourth quarter, or more frequently whenever events or circumstances change that would more likely than not reduce the fair value of a reporting unit below the carrying amount. Such events or changes in circumstance include significant deterioration in overall economic conditions, changes in the business climate in which our reporting units operate, a decline in our market capitalization, operating performance indicators, when some portion of a reporting unit is disposed of or classified as held for sale, or when a change in the composition of reporting units occurs for other reasons, such as a change in operating segments.

We had three reporting units at September 30, 2020 and 2019, which are our operating segments. We use both qualitative and quantitative approaches when testing goodwill and indefinite-lived intangibles for impairment. When determining the approach to use, we consider the current facts and circumstances of each reporting unit, as well as the excess of each reporting unit's estimated fair value over its carrying value based on our most recent quantitative assessment. In addition, our qualitative approach evaluates industry and market conditions and various events impacting a reporting unit including, but not limited to, macroeconomic conditions, changes in the business environment in which our reporting units operate and other reporting unit specific events and circumstances. If, based on the qualitative assessment, we determine that it is more likely than not that the fair value of a reporting unit is greater than its carrying value, then a quantitative assessment is not necessary. However, if a quantitative assessment is necessary, we use the income approach methodology of valuation that includes the present value of expected future cash flows.

We performed a quantitative annual impairment test as of September 30, 2019, and an interim quantitative impairment test as of March 31, 2020, to assess the impact of the global outbreak of COVID-19, using discounted future cash flows for each reporting unit, which did not result in impairments to goodwill. The more significant assumptions used for the interim impairment test as of March 31, 2020 were a five-year cash flow projection and a 3.0% terminal value to which discount rates between 7.1% and 9% were applied to calculate each unit’s fair value. To substantiate fair values derived from the income approach methodology of valuation, the implied fair value was compared to the marketplace fair value of a comparable industry grouping for reasonableness. Further, the fair values were reconciled to Griffon’s market capitalization.

We performed a qualitative assessment as of September 30, 2020, as the estimated fair values of each reporting unit significantly exceeded the carrying value based on our most recent quantitative assessment, which was performed as of March 31, 2020. Our qualitative assessment determined that indicators that the fair value of each reporting unit was less than the carrying value were not present.

With respect to indefinite-lived intangibles we performed a quantitative annual impairment test as of September 30, 2019, and an interim quantitative impairment test as of March 31, 2020, to assess the impact of the global outbreak of COVID-19, using a relief from royalty method, which did not result in impairments. We performed a qualitative assessment as of September 30, 2020 considering all the above factors and determined that indefinite-lived intangibles fair values were greater than their book values.

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

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

Leases

On October 1, 2019, the Company adopted the Accounting Standards Codifications ("ASC") Topic 842, Leases, which requires the recording of operating lease Right-of-Use ("ROU") assets and operating lease liabilities. Finance leases were not impacted by the adoption of ASC Topic 842, as finance lease liabilities and the corresponding assets were already recorded in the balance sheet under the previous guidance, ASC Topic 840. The Company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows us to carry forward the historical lease classification. We also elected a practical expedient to determine the reasonably certain lease term.

The Company applied the modified retrospective approach, whereby the cumulative effect of adoption is recognized as of the date of adoption and comparative prior periods are not retrospectively adjusted. As a result, upon adoption, we have recognized ROU assets of $163,552 and lease liabilities of $163,676 associated with our operating leases. The standard had no material impact to retained earnings or on our Consolidated Statements of Income or Consolidated Statements of Cash Flows.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. For leases existing as of October 1, 2019, we have elected to use the remaining lease term as of the adoption date in determining the incremental borrowing rate. Our determination of the lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

The Company determines if an arrangement is a lease at inception. The ROU assets and short and long-term liabilities associated with our operating leases are shown as separate line items on our Condensed Consolidated Balance Sheets. Finance leases are included in property, plant, and equipment, net, other accrued liabilities, and other non-current liabilities.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases and impaired operating leases, the ROU asset is depreciated on a straight-line basis over the remaining lease term, along with recognition of interest expense associated with accretion of the lease liability. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the Condensed Consolidated Balance Sheets. Variable lease cost for both operating and finance leases, if any, is recognized as incurred. The Company has lease agreements that contain both lease and non-lease components. For real estate leases, we account for lease components together with non-lease components (e.g., common-area maintenance).

Definite-lived long-lived assets

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

There were no indicators of impairment during the three years ending September 30, 2020.

Income taxes

We are subject to Federal, state and local income taxes in the U.S. and in various taxing jurisdictions outside the U.S. We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns in accordance with applicable accounting guidance for accounting for income taxes, using currently enacted tax rates in effect for the year in which the differences are expected to reverse.

We record a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Both positive and negative evidence are considered in forming our judgment as to whether a valuation allowance is appropriate, and more weight is given to evidence that can be objectively verified. Valuation allowances are reassessed whenever there are changes in circumstances that may cause a change in judgment.

The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition of tax positions taken or expected to be taken in a tax return. We record, as needed, a liability for the difference between the benefit recognized for financial statement purposes and the tax position taken or expected to be taken on our tax return. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

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

Research and development costs not recoverable under contractual arrangements are charged to SG&A expense as incurred and amounted to approximately $15,400 in each year ended September 30, 2020, 2019 and 2018.

SG&A expenses include shipping and handling costs of $54,500 in 2020, $53,500 in 2019 and $41,700 in 2018 and advertising costs, which are expensed as incurred, of $19,000 in 2020, $20,000 in 2019 and $21,000 in 2018.

Risk, retention and insurance

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

Pension benefits

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

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

The Company's non-service cost components of net periodic benefit plan cost was a benefit of $1,559, $3,148 and $3,649 during 2020, 2019, and 2018 respectively.

Issued but not yet effective accounting pronouncements

In December 2019, the FASB issued guidance on simplifying the accounting for income taxes by clarifying and amending existing guidance related to the recognition of franchise tax, the evaluation of a step up in the tax basis of goodwill, and the effects of enacted changes in tax laws or rates in the effective tax rate computation, among other clarifications. Our effective date for adoption of this ASU is our fiscal year beginning October 1, 2021 with early adoption permitted. We are currently evaluating the effects that the adoption of this guidance will have on our consolidated financial statements and the related disclosures.

In April 2019, the FASB issued guidance relating to accounting for credit losses on financial instruments, including trade receivables, and derivatives and hedging. This guidance is effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted, and will be effective for the Company beginning in fiscal 2021. Management does not expect a material impact to the Company's Consolidated Statements of Operations and Comprehensive Income or Cash Flows.

In August 2018, the FASB issued guidance which modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. This guidance expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income (loss). This guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, and will be effective for the Company beginning in 2021. We are currently evaluating the effects that the adoption of this guidance will have on our consolidated financial statements and the related disclosures.

In August 2018, the FASB issued guidance to clarify disclosure requirements related to defined benefit pension and other post-retirement plans. The guidance is effective for fiscal years beginning after December 15, 2020, with early adoption permitted, and will be effective for the Company beginning in 2022. We are currently evaluating the effects that the adoption of this guidance will have on our consolidated financial statements and the related disclosures.

New Accounting Standards Implemented

In March 2020, the Financial Accounting Standards Board ("FASB") issued optional guidance for a limited time relating to accounting for the discontinuation of the LIBOR rate also known as reference rate reform. The amendments in this update provide optional practical expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update are applicable to contract modifications that replace a reference LIBOR rate beginning on March 12, 2020 through December 31, 2022. The optional expedients primarily apply to the Griffon's Credit Agreement and Non-U.S. Term Loans. The optional expedients allow the Company to account for modifications due to reference rate reform by prospectively adjusting the effective interest rate on these agreements. The Company expects to apply the optional practical expedients and exceptions to modifications of its agreements affected by reference rate reform. As of September 30, 2020, the Company has not modified its agreements subject to reference rate reform.

In February 2018, the FASB issued guidance that allows companies to reclassify stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act, from accumulated other comprehensive income to retained earnings. This guidance is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted, and is effective for the Company in fiscal 2020. Upon adoption of this guidance as of October 1, 2019, based on our evaluation, we elected not to reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The adoption of this standard did not have an impact on the Company's financial condition, results of operations, or cash flow.

In February 2016, FASB issued guidance on lease accounting requiring lessees to recognize a right-of-use asset and a lease liability for long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. The Company adopted the requirements of the new standard as of October 1, 2019 and applied the modified retrospective approach, whereby the cumulative effect of adoption is recognized as of the date of adoption and comparative prior periods are not retrospectively adjusted. As a result, upon adoption, we have recognized right-of-use assets of $163,552 and lease liabilities of $163,676 associated with our operating leases. The standard had no material impact to retained earnings or on our Consolidated Statements of Income or Consolidated Statements of Cash Flows.

In January 2017, the FASB issued guidance that simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This guidance is effective for annual periods beginning after December 15, 2019, including interim periods within those periods and will be effective for the Company beginning in 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We early adopted this guidance for our annual goodwill impairment testing for the year ended September 30, 2020. The adoption of this guidance did not have a material impact 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 2 – REVENUE

The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied. A performance obligation is a promise in a contract to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting. A contract with a customer is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and with respect to which payment terms are identified and collectability is probable. Once the Company has entered into a contract or purchase order, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized when control of the promised products is transferred to the customer, or services are satisfied under the contract or purchase order, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price).

A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when each performance obligation is satisfied. A majority of the Company's contracts have a single performance obligation which represents, in most cases, the product being sold to the customer. To a lesser extent, some contracts include multiple performance obligations such as a product, the related installation, and extended warranty services. These contracts require judgment in determining the number of performance obligations. For contracts with multiple performance obligations, judgment is required to determine whether performance obligations specified in these contacts are distinct and should be accounted for as separate revenue transactions for recognition purposes. In these types of contracts, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Company uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. The transaction price includes variable consideration, such as discounts and volume rebates, when it is probable that a significant reversal of revenue recognized will not occur. Variable consideration is determined using either the expected value or the most likely amount of consideration to be received based on historical experience and the specific facts and circumstances at the time of evaluation.

See Note 19 - Business Segments for revenue from contracts with customers disaggregated by end markets, segments and geographic location.

Revenue from CPP and HBP Segments

Approximately 86% of the Company’s performance obligations are recognized at a point in time related to the manufacture and sale of a broad range of products and components primarily within the CPP and HBP Segments, and revenue is recognized when title, and risk and rewards of ownership, have transferred to the customer, which is generally upon shipment.

A majority of CPP's and HBP's revenue is short cycle in nature with shipments occurring within one year from order and does not include a material long-term financing component, implicitly or explicitly. Payment terms generally range between 15 to 90 days and vary by the location of the business, the type of products manufactured to be sold and the volume of products sold, among other factors.

The Company’s CPP and HBP Segments recognize revenue from product sales when all factors are met, including when control of a product transfers to the customer upon its shipment, completion of installation, testing, certification or other substantive acceptance required under the contract. Other than standard product warranty provisions, sales arrangements provide for no other significant post-shipment obligations on the Company. From time-to-time and for certain customers, rebates and other sales incentives, promotional allowances or discounts are offered, typically related to customer purchase volumes, all of which are fixed or determinable and are classified as a reduction of revenue and recorded at the time of sale. Griffon provides for sales returns and allowances based upon historical returns experience. The Company includes shipping costs billed to customers in revenue and the related shipping costs in Cost of Goods and Services.

The majority of the Company’s contracts in the CPP and HBP Segments offer assurance-type warranties in connection with the sale of a product to a customer. Assurance-type warranties provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. Such warranties do not represent a separate performance obligation.

Payment terms in the CPP and HBP Segments vary depending on the type and location of the customer and the products or services offered. Generally, the period between the time revenue is recognized and the time payment is due is not significant. Shipping and handling charges are not considered a separate performance obligation. Additionally, all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer (e.g., sales, use, value added, and some excise taxes) are excluded from revenue.

Revenue from Defense Electronics Segment

Approximately 14% of the Company’s performance obligations are recognized over time and relate to prime or subcontractors from contract awards with the U.S. Government, as well as foreign governments and other commercial customers within our DE Segment. Revenue recognized over time is generally accounted for using an input measure to determine progress completed at the end of the period. We believe that cumulative costs incurred to date as a percentage of estimated total contract costs at completion (cost-to-cost method) is an appropriate measure of progress towards satisfaction of performance obligations recognized over time, as it most accurately depicts the progress of our work and transfer of control to our customers.

The Company’s DE Segment earns a substantial portion of its revenue as either a prime contractor or subcontractor from contract awards with the U.S. Government, as well as foreign governments and other commercial customers to design, develop and manufacture highly sophisticated intelligence, surveillance and communications solutions. These contracts are typically long-term in nature, usually greater than one year, and do not include a material long-term financing component, either implicitly or explicitly. Revenue and profits from such contracts are recognized over time as work is performed because control of the work in process transfers continuously to the customer. For U.S. Government contracts, the continuous transfer of control to the customer is supported by contract clauses that provide for: (i) progress or performance-based payments or (ii) the unilateral right of the customer to terminate the contract for convenience, in which case we have the right to receive payment for costs incurred plus a reasonable profit for products and services that do not have alternative use to us. Foreign government and certain commercial contracts contain similar termination for convenience clauses, or we have a legally enforceable right to receive payment for costs incurred and a reasonable profit for product or services that do not have alternative use to us. Revenue and profits on fixed-price and cost-plus contracts that include performance obligations satisfied over time are recorded at amounts equal to the ratio of actual cumulative costs incurred divided by total estimated costs at completion, multiplied by the total estimated contract revenue, less the cumulative revenue recognized in prior periods. The profit recorded on a contract using this method is equal to the current estimated total profit margin multiplied by the cumulative revenue recognized, less the amount of cumulative profit previously recorded for the contract in prior periods.

Accounting for the sales and profits on performance obligations for which progress is measured using the cost-to-cost method relies on the substantial use of estimates, these projections may be revised throughout the life of a contract. Components of this formula and ratio that may be estimated include gross profit margin and total costs at completion. The cost performance and estimates to complete long-term contracts are reviewed, at a minimum, on a quarterly basis, as well as when information becomes available that would necessitate a review of the current estimate. Adjustments to estimates for a contract's estimated costs at completion and estimated profit or loss are often required as experience is gained, more information is obtained (even though the scope of work required under the contract may or may not change) and contract modifications occur. The impact of such adjustments to estimates is made on a cumulative basis in the period when such information has become known. The 2020, 2019, and 2018 income from operations included net favorable/(unfavorable) catch-up adjustments approximating $(10,650), $(4,500) and $1,400, respectively. Gross profit is impacted by a variety of factors, including the mix of products, systems and services, production efficiencies, price competition and general economic conditions.

Under fixed-price contracts, the Company agrees to perform the specified work for a pre-determined price. To the extent actual costs vary from the estimates upon which the price was negotiated, more or less profit will be generated, or a loss could be incurred.

Cost-reimbursable type contracts provide for the payment of allowable costs incurred on the contract plus the estimated profit on those costs. The estimated profit on a cost-reimbursable contract may be fixed or variable based on the contractual fee arrangement. We provide our products and services under cost-plus-fixed-fee arrangements. The fixed fee is negotiated at the inception of the contract and that fixed-fee does not vary with actual costs.

For contracts in which anticipated total costs exceed the total expected revenue, an estimated loss is recognized in the period when identifiable. A provision for the entire amount of the estimated loss is recorded on a cumulative basis. The estimated remaining costs to complete loss contracts as of September 30, 2020 was $10,800 and is recorded as a reduction to gross margin on the Consolidated Statements of Operations and Comprehensive Income (Loss). This loss had an immaterial impact on Griffon's Consolidated Financial Statements.

Contract modifications routinely occur to account for changes in contract specifications or requirements. Depending on the nature of the modification, we consider whether to account for the modification as an adjustment to the existing contract or as a separate contract. Contract modifications for goods or services that are not distinct are accounted for as part of the existing contract on a cumulative catch-up basis.

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

Transaction Price Allocated to the Remaining Performance Obligations

On September 30, 2020, we had $380,000 of remaining performance obligations, which we also refer to as total backlog. We expect to recognize approximately 67% of our remaining performance obligations as revenue within one year, with the balance to be completed thereafter.

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

Contract Balances

Contract assets were $84,426 as of September 30, 2020 compared to $105,111 as of September 30, 2019. The $20,685 decrease in our contract assets balance was primarily due to the timing of billings and work performed on various radar and surveillance programs. Contract assets primarily relate to the Company's right to consideration for work completed but not billed at the reporting date and are recorded in Contract assets, net of progress payments in the Consolidated Balance Sheets. Contract assets are transferred to receivables when the right to consideration becomes unconditional. Contract costs and recognized income not yet billed consists of amounts accounted for under the percentage of completion method of accounting, recoverable costs and accrued profit that cannot yet be invoiced under the terms of certain long-term contracts. Amounts will be invoiced when applicable contract terms, such as the achievement of specified milestones or product delivery, are met. At September 30, 2020 and 2019, approximately $7,500 and $13,100, respectively, of contract assets were expected to be collected after one year.

Contract liabilities were $24,386 as of September 30, 2020 compared to $26,259 as of September 30, 2019. The $1,873 decrease in the contract liabilities balance was primarily due to the recognition of revenue primarily from surveillance and airborne maritime surveillance radar programs. Contract liabilities relate to advance consideration received from customers for which revenue has not been recognized. The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities. These contract liabilities are classified as current on the Consolidated Balance Sheets based on the timing of when the Company expects to recognize revenue. Current contract liabilities are recorded in Accounts payable on the Consolidated Balance Sheets. Contract liabilities are reduced when the associated revenue from the contract is recognized.

NOTE 3 — ACQUISITIONS

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

On November 29, 2019, AMES acquired 100% of the outstanding stock of Vatre Group Limited ("Apta"), a leading United Kingdom supplier of innovative garden pottery and associated products sold to leading UK and Ireland garden centers for approximately $10,500 (GBP 8,750), inclusive of a post-closing working capital adjustment, net of cash acquired. This acquisition broadens AMES' product offerings in the UK market and increases its in-country operational footprint. The excess of the purchase price over the fair value of the net tangible and intangible assets was recorded as goodwill and is deductible for tax purposes. The purchase price was primarily allocated to goodwill of GBP 3,449, acquired intangible assets of GBP 3,454, inventory of GBP 2,914, accounts receivable and other assets of GBP 2,492 and accounts payable and other accrued liabilities of GBP 3,765.

On June 4, 2018, Clopay completed the acquisition of 100% of the outstanding stock of CornellCookson, a leading US manufacturer and marketer of rolling steel door and grille products designed for commercial, industrial, institutional and retail use, for approximately $180,000, excluding the estimated present value of tax benefits, and $12,426 of post-closing adjustments, primarily consisting of a working capital adjustment. CornellCookson revenue in 2018 was $66,654. The acquisition of CornellCookson substantially expanded Clopay's non-residential product offerings, and added an established professional dealer network focused on rolling steel door and grille products for commercial, industrial, institutional and retail use.

CornellCookson's accounts, affected for adjustments to reflect fair market values assigned to assets purchased and liabilities assumed, and results of operations are included in the Company's consolidated financial statements from the date of acquisition. The Company has recorded an allocation of the purchase price to the Company's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair market values (level 3 inputs) at the acquisition date. The excess of the purchase price over the fair value of the net tangible and intangible assets was recorded as goodwill and is deductible for tax purposes. Goodwill recognized at the acquisition date represents the other intangible benefits that the Company will derive from the ownership of CornellCookson, however, such intangible benefits do not meet the criteria for recognition of separately identifiable intangible assets.

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

The calculation of the purchase price allocation is as follows:

Accounts receivable [1]	$	30,400
Inventories[2]		12,336
Property, plant and equipment		49,426
Goodwill		43,183
Intangible assets		67,600
Other current and non-current assets		2,648
Total assets acquired		205,593
Accounts payable and accrued liabilities		12,507
Long-term liabilities		660
Total liabilities assumed		13,167
Total	$	192,426

[1] Includes $30,818 of gross accounts receivable of which $418 was not expected to be collected. The fair value of accounts receivable approximated book value acquired.
[2] Includes $13,434 of gross inventory of which $1,098 was reserved for obsolete items.

The amounts assigned to goodwill and major intangible asset classifications, all of which are tax deductible, for the CornellCookson acquisition are as follows:

			Average Life (Years)
Goodwill	$	43,183	N/A
Indefinite-lived intangibles		53,500	N/A
Definite-lived intangibles		14,100	12
Total goodwill and intangible assets	$	110,783	

On February 13, 2018, AMES acquired 100% of the outstanding stock of Kelkay Limited ("Kelkay"), a leading United Kingdom manufacturer and distributor of decorative outdoor landscaping products sold to garden centers, retailers and grocers in the UK and Ireland for $56,118 (GBP 40,452), subject to contingent consideration of up to GBP 7,000, of which approximately GBP 2,200 was earned. This acquisition broadened AMES' product offerings in the market and increased its in-country operational footprint. The purchase price was primarily allocated to tradenames of GBP 19,000, customer related intangibles of GBP 6,640, accounts receivable and inventory of GBP 8,894 and fixed assets and land of GBP 8,241.

On November 6, 2017, AMES acquired substantially all of the assets of Harper Brush Works ("Harper"), a division of Horizon Global, for $4,383, inclusive of post-closing adjustments. Harper is a leading U.S. manufacturer of cleaning products for professional, home, and industrial use. The acquisition expanded AMES' long-handled tool offering in North America to include brooms, brushes, and other cleaning tools and accessories. The purchase price was primarily allocated to intangible assets of $2,300, inventory and accounts receivable of $3,900 and fixed assets of $900.

On October 2, 2017, Griffon Corporation completed the acquisition of 100% of the outstanding equity interests of ClosetMaid, a market leader of home storage and organization products, for approximately $185,700, inclusive of certain post-closing adjustments and excluding the present value of net tax benefits resulting from the transaction. The acquisition of ClosetMaid expanded Griffon's Home and Building Products segment into the highly complementary home storage and organization category with a leading brand and product portfolio.

ClosetMaid's accounts, affected for adjustments to reflect fair market values assigned to assets purchased and liabilities assumed, and results of operations, are included in the Company's consolidated financial statements from the date of acquisition. The Company has recorded an allocation of the purchase price to the Company's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair market values (level 3 inputs) at the acquisition date. The excess of the purchase price over the fair value of the net tangible and intangible assets was recorded as goodwill and is deductible for tax purposes. Goodwill recognized at the acquisition date represents the other intangible benefits that the Company will derive from the ownership of ClosetMaid, however, such intangible benefits do not meet the criteria for recognition of separately identifiable intangible assets.

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

The calculation of the purchase price allocation is as follows:

Accounts receivable [(1)]	$	32,234
Inventories [(2)]		28,411
Property, plant and equipment		47,464
Goodwill		70,159
Intangible assets		74,580
Other current and non-current assets		3,852
Total assets acquired		256,700
Accounts payable and accrued liabilities		68,251
Long-term liabilities		2,720
Total liabilities assumed		70,971
Total	$	185,729

[(1)] Includes $32,956 of gross accounts receivable of which $722 was not expected to be collected. The fair value of accounts receivable approximated book value acquired.
[(2)] Includes $1,500 in inventory basis step-up, which was charged to cost of goods sold over the inventory turns of the acquired entity.

The amounts assigned to goodwill and major intangible asset classifications, all of which are tax deductible, for the ClosetMaid acquisition are as follows:

			Average Life (Years)
Goodwill	$	70,159	N/A
Indefinite-lived intangibles		47,740	N/A
Definite-lived intangibles		26,840	21
Total goodwill and intangible assets	$	144,739	

During the year ended September 30, 2020, SG&A included acquisition costs of $2,960. There were no acquisition-related costs in 2019. In 2018, SG&A and Cost of goods and services included $6,097 and $1,500 of acquisition-related costs, respectively..

NOTE 4 — INVENTORIES

The following table details the components of inventory:

		At September 30, 2020		At September 30, 2019
Raw materials and supplies	$	135,083	$	121,791
Work in process		81,624		93,830
Finished goods		197,118		226,500
Total	$	413,825	$	442,121

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

NOTE 5 — PROPERTY, PLANT AND EQUIPMENT

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

	At September 30, 2020	At September 30, 2019
Land, building and building improvements	$ 167,005	$ 133,036
Machinery and equipment	595,126	580,698
Leasehold improvements	53,386	49,808
	815,517	763,542
Accumulated depreciation and amortization	(471,553)	(426,216)
Total	$ 343,964	$ 337,326

Except as described in Note 9, Restructuring Charges, no event or indicator of impairment occurred during the year ended September 30, 2020 which would require additional impairment testing of property, plant and equipment.

NOTE 6 — GOODWILL AND OTHER INTANGIBLES

Griffon usually performs its annual goodwill impairment testing in the fourth quarter of each year. In addition to the annual impairment test, the Company is required to regularly assess whether a triggering event has occurred which would require interim impairment testing. Given the general deterioration in economic and market conditions surrounding the COVID-19 pandemic, the Company considered the impact that the COVID-19 pandemic may have on its near and long-term forecasts and completed an interim impairment test as of March 31, 2020. The Company determined that there was no impairment to either its goodwill or indefinite-lived intangible assets at March 31, 2020. As of September 30, 2020, the Company performed a qualitative assessment and determined it was not more likely than not that the fair value of any of its reporting units or its indefinite-lived intangible assets was less than their carrying values. Based upon the results of the annual impairment qualitative review, it was determined that the fair value of each reporting unit substantially exceeded the carrying value of the assets, as performed under step one, and no impairment existed. See Note 1, Description of Business and Summary of Significant Accounting Policies, for a description of the Company's goodwill and indefinite-lived intangible impairment testing methodology.

The following table provides changes in carrying value of goodwill by segment through the year ended September 30, 2020:

	At September 30, 2018	Goodwill from acquisitions	Reallocation of Goodwill[(1)]	Foreign currency translation adjustments	At September 30, 2019	Goodwill from acquisitions	Foreign currency translation adjustments	At September 30, 2020
Consumer and Professional Products	$ 378,046	$ —	$ (148,076)	$ (2,701)	$ 227,269	$ 4,451	$ 1,125	$ 232,845
Home and Building Products	42,804	300	148,076	73	191,253	—	—	191,253
Defense Electronics	18,545	—	—	—	18,545	—	—	18,545
Total	$ 439,395	$ 300	$ —	$ (2,628)	$ 437,067	$ 4,451	$ 1,125	$ 442,643

(1) In accordance with the guidance set forth in ASC 350, and in connection with the modification of the Company's reportable segment structure, using a relative fair value approach, the Company reallocated $148,076 of goodwill between the CPP and HBP segments.

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

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

	At September 30, 2020			At September 30, 2019	
	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships & other	$ 185,940	$ 66,656	23	$ 183,515	$ 57,783
Unpatented technology	19,464	8,360	13	19,167	7,329
Total amortizable intangible assets	205,404	75,016		202,682	65,112
Trademarks	224,640	—		219,069	—
Total intangible assets	$ 430,044	$ 75,016		$ 421,751	$ 65,112

Amortization expense for intangible assets subject to amortization was $9,590, $9,922 and $9,070 in 2020, 2019 and 2018, respectively. Amortization expense for each of the next five years and thereafter, based on current intangible balances and classifications, is estimated as follows: 2021 - $9,443; 2022 - $9,436; 2023 - $9,357; 2024 - $9,331 and 2025 - $9,331; thereafter - $83,490.

NOTE 7 — DISCONTINUED OPERATIONS

During 2019, Griffon recorded an $11,050 charge ($8,335, net of tax) to discontinued operations. The charge consisted primarily of a purchase price adjustment to resolve a claim related to the $465,000 Plastics divestiture and included an additional reserve for a legacy environmental matter.

The following amounts summarize the total assets and liabilities of Plastics and Installation Services and other discontinued activities which have been segregated from Griffon's continuing operations and are reported as assets and liabilities of discontinued operations in the consolidated balance sheets:

	At September 30, 2020	At September 30, 2019
Assets of discontinued operations:		
Prepaid and other current assets	$ 2,091	$ 321
Other long-term assets	6,406	2,888
Total assets of discontinued operations	$ 8,497	$ 3,209
Liabilities of discontinued operations:		
Accrued liabilities, current	$ 3,797	$ 4,333
Other long-term liabilities	7,014	3,331
Total liabilities of discontinued operations	$ 10,811	$ 7,664

At September 30, 2020, Griffon's liabilities for Plastics, Installations Services and other discontinued operations primarily related to insurance claims, income taxes and product liability, warranty and environmental reserves totaling liabilities of approximately $10,811. The increase in assets and liabilities were primarily associated with insurance claims receivable and payable.

<u>**Plastics**</u>

On November 16, 2017, Griffon announced it entered into a definitive agreement to sell Plastics and on February 6, 2018, completed the sale to Berry for approximately $465,000, net of certain post-closing adjustments. As a result, Griffon classified the results of operations of the Plastics business as discontinued operations in the Consolidated Statements of Operations for all periods presented and classified the related assets and liabilities associated with the discontinued operations in the consolidated balance sheets. Plastics is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies. In connection with the sale of Plastics, the Company recorded a $9,500 post-closing adjustment ($7,085, net of tax) during 2019 and recorded a gain on sale of $112,964 ($81,041, net of tax) during 2018. The following amounts related to the Plastics segment have been segregated from Griffon's continuing operations and are reported as discontinued operations:

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

	For the Year Ended September 30,	
	2019	2018
Revenue	$ —	$ 166,262
Cost of goods and services	—	132,100
Gross profit	—	34,162
Selling, general and administrative expenses	9,500	26,303
Restructuring charges	—	—
Total operating expenses	9,500	26,303
Income from discontinued operations	(9,500)	7,859
Other income (expense)		
Gain on sale of business	—	112,964
Interest expense, net	—	(155)
Other, net	—	(687)
Total other income (expense)	—	112,122
Income from operations of discontinued operations	(9,500)	119,981

Installation Services and Other Discontinued Activities

There was no reported revenue in 2020, 2019 and 2018.

NOTE 8 — ACCRUED LIABILITIES

The following table details the components of accrued liabilities:

	At September 30, 2020	At September 30, 2019
Compensation	$ 83,308	$ 61,639
Interest	4,371	4,501
Warranties and rebates	18,687	13,171
Insurance	10,997	11,996
Rent, utilities and freight	8,816	5,326
Income and other taxes	14,707	7,814
Marketing and advertising	7,968	4,417
Restructuring	2,965	—
Other	19,753	15,801
Total	$ 171,572	$ 124,665

NOTE 9 – RESTRUCTURING CHARGES

In September 2020, Telephonics initiated a Voluntary Employee Retirement Plan, which was subsequently followed by a reduction in force in November 2020, to improve efficiencies by combining functions and responsibilities. The combined actions are expected to incur severance charges of approximately $4,500, with $2,120 recognized in the fourth quarter, and the balance to be recognized in the first quarter of 2021. At the conclusion of these actions, headcount is expected to be reduced by approximately 90 people. In addition, during fiscal 2020 Telephonics commenced a facility project to consolidate three Long Island based facilities into two company owned facilities with a total cost of approximately $4.0 million primarily comprised of capital expenditures in 2021.

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

In November 2019, Griffon announced the development of a next-generation business platform for CPP to enhance the growth, efficiency, and competitiveness of its U.S. operations, and on November 12, 2020, Griffon announced that CPP is broadening this strategic initiative to include additional North American facilities, the AMES UK and Australia businesses, and a manufacturing facility in China.

The expanded focus of this initiative leverages the same three key development areas being executed within our U.S. operations. First, multiple independent information systems will be unified into a single data and analytics platform, which will serve the whole AMES global enterprise. Second, certain AMES global operations will be consolidated to optimize facilities footprint and talent. Third, strategic investments in automation and facilities expansion will be made to increase the efficiency of our manufacturing and fulfillment operations, and support e-commerce growth.

The cost to implement this new business platform, over the five years duration of the project, will include approximately $65,000 (increased from $35,000) of one-time charges and approximately $65,000 (increased from $40,000) in capital investments. The one-time charges are comprised of $46,000 of cash charges, which includes $26,000 of personnel-related costs such as training, severance, and duplicate personnel costs as well as $20,000 of facility and lease exit costs. The remaining $19,000 of charges are non-cash and are primarily related to asset write-downs.

In the year ended September 30, 2020, CPP incurred pre-tax restructuring and related exit costs approximating $13,669. For the year ended September 30, 2020, cash charges totaled $8,977 and non-cash, asset-related charges totaled $4,692; the cash charges included $5,620 for one-time termination benefits and other personnel-related costs and $3,357 for facility exit costs. Non-cash charges included a $1,968 impairment charge related to a facility’s operating lease as well as $671 of leasehold improvements made to the leased facility and $304 of inventory that have no recoverable value, and a $1,749 impairment charge related to machinery and equipment that have no recoverable value at one of the Company's owned manufacturing locations. As a result of these transactions, headcount was reduced by 167.

A summary of the restructuring and other related charges included in Cost of goods and services and Selling, general and administrative expenses in the Company's Consolidated Statements of Operations were as follows:

	For the Year Ended September 30, 2020
Cost of goods and services	$ 4,159
Selling, general and administrative expenses	11,630
Total restructuring charges	$ 15,789

	For the Year Ended September 30, 2020
Personnel related costs	$ 7,740
Facilities, exit costs and other	3,357
Non-cash facility and other	4,692
Total	$ 15,789

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

The following table summarizes the accrued liabilities of the Company's restructuring actions:

	Cash Charges	Cash Charges	Non Cash Charges	
	Personnel related costs	Facilities & Exit Costs	Facility and Other Costs	Total
Accrued liability at September 30, 2019	$ —	$ —	$ —	$ —
Charges	7,740	3,357	4,692	15,789
Payments	(5,039)	(3,093)	—	(8,132)
Non-cash charges [(1)]	—	$ —	(4,692)	(4,692)
Accrued liability at September 30, 2020	$ 2,701	$ 264	$ —	$ 2,965

(1) Non-cash charges in Facility and Other Costs primarily represent the non-cash write-off of certain long-lived assets in connection with certain facility closures.

NOTE 10 – WARRANTY LIABILITY

DE 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. CPP and HBP also offers warranties against product defects for periods generally ranging from one to ten years, with limited lifetime warranties on certain door models. Typical warranties require CPP, HBP and DE 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. CPP offers an express limited warranty for a period of ninety days on all products from the date of the original purchase unless otherwise stated on the product or packaging from the date of original purchase.

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

	Years Ended September 30,	
	2020	2019
Balance, beginning of period	$ 7,894	$ 8,174
Warranties issued and changes in estimated pre-existing warranties	20,474	16,938
Actual warranty costs incurred	(17,525)	(17,218)
Balance, end of period	$ 10,843	$ 7,894

NOTE 11 — LONG-TERM DEBT

Debt at September 30, 2020 and 2019 consisted of the following:

		At September 30, 2020				
		Outstanding Balance	Original Issuer Premium	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate
Senior notes due 2028	(a)	$ 1,000,000	$ 363	$ (15,376)	$ 984,987	5.75%
Revolver due 2025	(b)	12,858	—	(2,209)	10,649	Variable
Finance lease - real estate	(e)	17,218	—	(30)	17,188	Variable
Non U.S. lines of credit	(f)	—	—	(30)	(30)	Variable
Non U.S. term loans	(f)	31,086	—	(160)	30,926	Variable
Other long term debt	(g)	3,260	—	(16)	3,244	Variable
Totals		1,064,422	363	(17,821)	1,046,964	
less: Current portion		(9,922)	—	—	(9,922)	
Long-term debt		$ 1,054,500	$ 363	$ (17,821)	$ 1,037,042	

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

		At September 30, 2019				
		Outstanding Balance	Original Issuer Premium	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate
Senior notes due 2022	(a)	$ 1,000,000	$ 867	$ (9,175)	$ 991,692	5.25%
Revolver due 2021	(b)	50,000	—	(1,243)	48,757	Variable
Finance lease - real estate	(e)	4,388	—	(55)	4,333	5.00%
Non U.S. lines of credit	(f)	17,576	—	(45)	17,531	Variable
Non U.S. term loans	(f)	36,977	—	(188)	36,789	Variable
Other long term debt	(g)	5,190	—	(18)	5,172	Variable
Totals		1,114,131	867	(10,724)	1,104,274	
less: Current portion		(10,525)	—	—	(10,525)	
Long-term debt		$ 1,103,606	$ 867	$ (10,724)	$ 1,093,749	

Interest expense consists of the following for 2020, 2019 and 2018.

		Year Ended September 30, 2020				
		Effective Interest Rate	Cash Interest	Amort. Debt Premium	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2028	(a)	5.90%	$ 32,511	$ —	$ 1,072	$ 33,583
Senior notes due 2022	(a)	5.67%	$ 22,816	$ 122	$ 1,735	$ 24,673
Revolver due 2025	(b)	Variable	5,866	—	635	6,501
Finance lease - real estate	(e)	Variable	386	—	25	411
Non U.S. lines of credit	(f)	Variable	12	—	15	27
Non U.S. term loans	(f)	Variable	975	—	55	1,030
Other long term debt	(g)	Variable	445	—	2	447
Capitalized interest			(128)	—	—	(128)
Totals			$ 62,883	$ 122	$ 3,539	$ 66,544

		Year Ended September 30, 2019				
		Effective Interest Rate	Cash Interest	Amort. Debt Premium	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.66%	$ 52,500	$ 270	$ 3,803	$ 56,573
Revolver due 2025	(b)	Variable	6,998	—	980	7,978
ESOP Loans	(d)	6.3%	937	—	186	1,123
Finance lease - real estate	(e)	Variable	372	—	25	397
Non U.S. lines of credit	(f)	Variable	19	—	15	34
Non U.S. term loan	(f)	Variable	1,592	—	109	1,701
Other long term debt	(g)	Variable	640	—	5	645
Capitalized interest			(385)	—	—	(385)
Totals			$ 62,673	$ 270	$ 5,123	$ 68,066

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

		Year Ended September 30, 2018				
		Effective Interest Rate	Cash Interest	Amort. Debt Premium	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.66%	$ 52,500	$ 270	$ 3,803	$ 56,573
Revolver due 2025	(b)	Variable	3,718	—	565	4,283
Real estate mortgages	(c)	6.3%	1,802	—	124	1,926
ESOP Loans	(d)	3.3%	349	—	320	669
Finance lease - real estate	(e)	Variable	581	—	25	606
Non U.S. lines of credit	(f)	Variable	34	—	15	49
Non U.S. term loan	(f)	Variable	1,420	—	90	1,510
Other long term debt	(g)	Variable	494	—	7	501
Capitalized interest			(549)	—	—	(549)
Totals			$ 60,349	$ 270	$ 4,949	$ 65,568

Minimum payments under debt agreements for the next five years are as follows: $9,922 in 2021, $12,667 in 2022, $16,124 in 2023, $1,730 in 2024, $14,628 in 2025 and $1,009,351 thereafter.

(a) On June 22, 2020, in an unregistered offering through a private placement, Griffon completed the add-on offering of $150,000 principal amount of its 5.75% senior notes due 2028, at 100.25% of par, to Griffon's previously issued $850,000 principal amount of its 5.75% senior notes due 2028, at of par, completed on February 19, 2020 (collectively, the "Senior Notes"). Proceeds from the Senior Notes were used to redeem the $1,000,000 of 5.25% senior notes due 2022 (the "2022 Senior Notes"). As of September 30, 2020, outstanding Senior Notes due totaled $1,000,000; 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 April 22, 2020 and August 3, 2020, Griffon exchanged substantially all of the Senior Notes for substantially identical Senior Notes registered under the Securities Act of 1933, as amended (the "Securities Act"), via an exchange offer. The fair value of the 2028 Senior Notes approximated $1,040,000 on September 30, 2020 based upon quoted market prices (level 1 inputs).

In connection with these transactions, Griffon capitalized $16,448 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, and, at September 30, 2020, $15,376 remained to be amortized. Furthermore, all of the obligations associated with the 2022 Senior Notes were discharged. Additionally, Griffon recognized a $7,925 loss on the early extinguishment of debt of the 5.25% $1,000,000 2022 Senior Notes, comprised primarily of the write-off of $6,725 of remaining deferred financing fees, $607 of tender offer net premium expense and $593 of redemption interest expense.

(b) On January 30, 2020, Griffon amended its Credit Agreement to increase the maximum borrowing availability from $350,000 to $400,000, extend its maturity from March 22, 2021 to March 22, 2025 and modify certain other provisions of the facility. The facility includes a letter of credit sub-facility with a limit of $100,000 (increased from $50,000); and a multi-currency sub-facility of $100,000. The Credit Agreement provides for same day borrowings of base rate loans.

Borrowings under the Credit Agreement may be repaid and re-borrowed at any time. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate, plus an applicable margin, which adjusts based on financial performance. Current margins are 0.75% for base rate loans and 1.75% 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. At September 30, 2020, under the Credit Agreement, there were $12,858 in outstanding borrowings; outstanding standby letters of credit were $16,867; and $370,275 was available, subject to certain loan covenants, for borrowing at that date.

(c) In September 2015 and March 2016, Griffon entered into mortgage loans in the amount of $32,280 and $8,000, respectively, that were due to mature in September 2025 and April 2018, respectively. The mortgage loans were secured and collateralized by four properties occupied by Griffon's subsidiaries and were guaranteed by Griffon. The loans had an interest at a rate of LIBOR plus 1.50%. The loans were paid off during 2018.

(d) In August 2016 and as amended on June 30, 2017, Griffon’s ESOP entered into a Term Loan with a bank (the "ESOP Agreement"). The Term Loan interest rate was LIBOR plus 3.00%. The Term Loan required quarterly principal payments of $569 with a balloon payment due at maturity. The Term Loan was secured by shares purchased with the proceeds of the loan and with a lien on a specific amount of Griffon assets (which ranked pari passu with the lien granted on such assets under the Credit Agreement) and was guaranteed by Griffon. On March 13, 2019, the ESOP Term Loan was refinanced with an internal loan from Griffon which was funded with cash and a draw under its Credit Agreement. The internal loan interest rate is fixed at 2.91%, matures in June 2033 and requires quarterly payments of principal, currently $635, and interest. The internal loan is secured by shares purchased with the proceeds of the loan. The amount outstanding on the internal loan at September 30, 2020 was $29,878.

(e) Two Griffon subsidiaries have finance leases outstanding for real estate located in Troy, Ohio and Ocala, Florida. The leases mature in 2021 and 2025, respectively, and bear interest at fixed rates of approximately 5.0% and 5.6%, respectively. The Troy, Ohio lease is secured by a mortgage on the real estate and is guaranteed by Griffon. The Ocala, Florida lease contains two five-year renewal options. As of September 30, 2020, $17,188 was outstanding, net of issuance costs. Refer to Note 22 - Leases for further details.

(f) In November 2012, Garant G.P. (“Garant”), a Griffon subsidiary, entered into a CAD 15,000 ($11,210 as of September 30, 2020) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (1.44% LIBOR USD and 1.55% Bankers Acceptance Rate CDN as of September 30, 2020). The revolving facility matures in October 2022. Garant is required to maintain a certain minimum equity. As of September 30, 2020, there were no borrowings under the revolving credit facility with CAD 15,000 ($11,210 as of September 30, 2020) available for borrowing.

In July 2016, Griffon Australia Holdings Pty Ltd and its Australian subsidiaries ("Griffon Australia") entered into an AUD 29,625 term loan, AUD 20,000 revolver and AUD 10,000 receivable purchase facility agreement; the agreement was amended in March 2019. As amended, the term loan requires quarterly principal payments of AUD 1,250 plus interest with a balloon payment of AUD 9,625 due upon maturity in March 2022, and accrues interest at Bank Bill Swap Bid Rate “BBSY” plus 1.95% per annum (2.09% at September 30, 2020). During the year ended September 30, 2020, the term loan balance was reduced by AUD 5,000 from AUD 23,375 to AUD 18,375 with proceeds from an AUD 5,000 increase in the commitment of the receivables purchase line from AUD 10,000 to AUD 15,000. As of September 30, 2020, the term loan had an outstanding balance of AUD 15,875 ($11,287 as of September 30, 2020). The revolving facility and receivable purchase facility mature in March 2022, but are renewable upon mutual agreement with the lender. The revolving facility and receivable purchase facility accrue interest at BBSY plus 1.9% and 1.35%, respectively, per annum (2.04% and 1.49%, respectively, at September 30, 2020). At September 30, 2020, there were no balances outstanding under the revolver and the receivable purchase facility. The revolver, receivable purchase facility and term loan are all secured by substantially all of the assets of Griffon Australia and its subsidiaries. Griffon Australia is required to maintain a certain minimum equity level and is subject to a maximum leverage ratio and a minimum fixed charges cover ratio.

In July 2018, the AMES Companies UK Ltd and its subsidiaries (collectively, "Ames UK") entered into a GBP 14,000 term loan, GBP 4,000 mortgage loan and GBP 5,000 revolver. The term loan and mortgage loan require quarterly principal payments of GBP 438 and GBP 105 plus interest, respectively, and have balloon payments due upon maturity, July 2023, of GBP 7,088 and GBP 2,349, respectively. The term loan and mortgage loan accrue interest at the GBP LIBOR Rate plus 2.25% and 1.8%, respectively (2.30% and 1.85% at September 30, 2020, respectively). The revolving facility matures in May 2021, but is renewable upon mutual agreement with the lender, and accrues interest at the Bank of England Base Rate plus 1.5% (1.85% as of September 30, 2020). As of September 30, 2020, the revolver had no outstanding balance while the term and mortgage loan balances amounted to GBP 15,398 ($19,799 as of September 30, 2020). The revolver and the term loan are both secured by substantially all of the assets of AMES UK and its subsidiaries. AMES UK is subject to a maximum leverage ratio and a minimum fixed charges cover ratio. An invoice discounting arrangement was canceled and replaced by the above loan facilities.

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

At September 30, 2020, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements.

NOTE 12 – EMPLOYEE BENEFIT PLANS

Griffon offers defined contribution plans to most of its U.S. employees. In addition to employee contributions to the plans, Griffon makes contributions based upon various percentages of compensation and/or employee contributions, which were $11,956 in 2020, $11,788 in 2019 and $11,053 in 2018.

The Company also provides healthcare and life insurance benefits for certain groups of retirees through several plans. For certain employees, the benefits are at fixed amounts per retiree and are partially contributory by the retiree. The post-retirement benefit obligation was $1,833 and $1,852 as of September 30, 2020 and 2019. The accumulated other comprehensive income (loss) for these plans was $(196) and ($146) as of September 30, 2020 and 2019, respectively, and the 2020 and 2019 benefit expense was $46 and $50, respectively. It is the Company’s practice to fund these benefits as incurred.

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

Griffon is responsible for overseeing the management of the investments of the qualified defined benefit plan and uses the services of an investment manager to manage these assets based on agreed upon risk profiles. The primary objective of the qualified defined benefit plan is to secure participant retirement benefits. As such, the key objective in this plan’s financial management is to promote stability and, to the extent appropriate, growth in the funded status. Financial objectives are established in conjunction with a review of current and projected plan financial requirements. The fair values of a majority of the plan assets were determined by the plans’ trustee using quoted market prices for identical instruments (level 1 inputs) as of September 30, 2020 and 2019. The fair value of various other investments was determined by the plan’s trustee using direct observable market corroborated inputs, including quoted market prices for similar assets (level 2 inputs). A small amount of plan assets are invested in private equity which consist primarily of investments in private companies which are valued using the net asset values provided by the underlying private investment companies as a practical expedient (level 3 inputs).

The Clopay AMES Pension Plan and the AMES supplemental executive retirement plan are frozen to new entrants and participants in the plans no longer accrue benefits.

The Company’s non-service cost components of net periodic benefit plan cost was a benefit of $1,559, $3,148 and $3,649 during 2020, 2019, and 2018 respectively.

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

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

Net periodic costs (benefits) were as follows:

	Defined Benefits for the Years Ended September 30,			Supplemental Benefits for the Years Ended September 30,		
	2020	2019	2018	2020	2019	2018
Net periodic (benefits) costs:						
Interest cost	$ 4,267	$ 5,778	$ 5,084	$ 335	$ 503	$ 544
Expected return on plan assets	(10,343)	(10,331)	(10,736)	—	—	—
Amortization of:						
Prior service costs	—	—	—	14	14	14
Actuarial loss	3,769	630	755	399	258	628
Total net periodic (benefits) costs	$ (2,307)	$ (3,923)	$ (4,897)	$ 748	$ 775	$ 1,186

The tax benefits in 2020, 2019 and 2018 for the amortization of pension costs in Other comprehensive income (loss) were $878, $221 and $342, respectively.

The estimated net actuarial loss and prior service cost that will be amortized from AOCI into Net periodic pension cost during 2021 is $6,277 and $15, respectively.

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

	Defined Benefits for the Years Ended September 30,			Supplemental Benefits for the Years Ended September 30,		
	2020	2019	2018	2020	2019	2018
Discount rate	2.92%	4.10%	3.64%	2.64%	3.99%	3.18%
Expected return on assets	7.00%	7.00%	7.25%	—%	—%	—%

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

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

	Defined Benefits at September 30,		Supplemental Benefits at September 30,	
	2020	2019	2020	2019
Change in benefit obligation:				
Benefit obligation at beginning of fiscal year	$ 177,797	$ 161,328	$ 16,180	$ 15,718
Interest cost	4,267	5,778	335	503
Benefits paid	(10,747)	(10,790)	(1,939)	(1,942)
Actuarial (gain) loss	11,686	21,481	1,494	1,901
Benefit obligation at end of fiscal year	183,003	177,797	16,070	16,180
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	145,610	150,680	—	—
Actual return on plan assets	4,261	2,606	—	—
Company contributions	8,021	3,114	1,939	1,942
Benefits paid	(10,747)	(10,790)	(1,939)	(1,942)
Fair value of plan assets at end of fiscal year	147,145	145,610	—	—
Projected benefit obligation in excess of plan assets	$ (35,858)	$ (32,187)	$ (16,070)	$ (16,180)
Amounts recognized in the statement of financial position consist of:				
Accrued liabilities	$ —	$ —	$ (1,891)	$ (1,906)
Other liabilities (long-term)	(35,858)	(32,187)	(14,179)	(14,279)
Total Liabilities	(35,858)	(32,187)	(16,070)	(16,185)
Net actuarial losses	61,666	47,663	7,700	6,609
Prior service cost	—	—	—	14
Deferred taxes	(12,950)	(17,098)	(1,617)	(2,374)
Total Accumulated other comprehensive loss, net of tax	48,716	30,565	6,083	4,249
Net amount recognized at September 30,	$ 12,858	$ (1,622)	$ (9,987)	$ (11,936)
Accumulated benefit obligations	$ 183,003	$ 177,797	$ 16,070	$ 16,180
Information for plans with accumulated benefit obligations in excess of plan assets:				
ABO	$ 183,003	$ 177,797	$ 16,070	$ 16,180
PBO	183,003	177,797	16,070	16,180
Fair value of plan assets	147,145	145,610	—	—

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

	Defined Benefits at September 30,		Supplemental Benefits at September 30,	
	2020	2019	2020	2019
Weighted average discount rate	2.30%	2.92%	1.69%	2.64%

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

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

For the years ending September 30,	Defined Benefits	Supplemental Benefits
2021	$ 11,006	$ 1,891
2022	10,964	1,787
2023	10,945	1,679
2024	10,892	1,556
2025	10,809	1,437
2026 through 2030	52,390	5,354

During 2021, Griffon expects to contribute $1,891 in payments related to Supplemental Benefits that will be funded from the general assets of Griffon. Griffon expects to contribute $2,764 to the Defined Benefit plan in 2021.

The Clopay AMES Plan is covered by the Pension Protection Act of 2006. The Adjusted Funding Target Attainment Percent for the plan as of January 1, 2020 was 93.7%. Since the plan was in excess of the 80% funding threshold there were no plan restrictions. The expected level of 2021 catch up contributions is $2,107.

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

	At September 30,		
	2020	2019	Target
Cash and equivalents	0.4%	1.9%	—%
Equity securities	48.5%	49.9%	63.0%
Fixed income	31.9%	29.4%	37.0%
Other	19.2%	18.8%	—%
Total	100.0%	100.0%	100.0%

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

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

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

Debt securities – The fair values are based on a compilation of primarily observable market information or a broker quote in a non-active market where the individual mutual fund securities are invested in debt securities. These investments are classified within Level 1 and Level 2 of the valuation hierarchy.

Commingled funds – The fair values are determined using NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the trust/entity, minus its liabilities, and then divided by the number of shares outstanding. These investments are generally classified within Level 2 or 3, as appropriate, of the valuation hierarchy and can be liquidated on demand.

Interest in limited partnerships and hedge funds - One limited partnership investment is a private equity fund and the fair value is determined by the fund managers based on the net asset values provided by the underlying private investment companies as a practical expedient. These investments are classified within Level 2 of the valuation hierarchy.

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

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

At September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	$ 600	$ —	$ —	$ 600
Government agency securities	33,675	6,136	—	39,811
Debt instruments	179	2,722	—	2,901
Equity securities	68,987	—	—	68,987
Commingled funds	—	—	9,362	9,362
Limited partnerships and hedge fund investments	—	17,867	—	17,867
Other Securities	2,488	163	—	2,651
Subtotal	$ 105,929	$ 26,888	$ 9,362	$ 142,179
Accrued income and plan receivables				4,966
Total				$ 147,145

At September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	$ 2,791	$ —	$ —	$ 2,791
Government and agency securities	28,297	9,119	—	37,416
Debt instruments	182	2,996	—	3,178
Equity securities	72,517	—	—	72,517
Commingled funds	—	—	8,776	8,776
Limited partnerships and hedge fund investments	—	18,569	—	18,569
Other Securities	1,913	159	—	2,072
Subtotal	$ 105,700	$ 30,843	$ 8,776	$ 145,319
Accrued income and plan receivables				291
Total				$ 145,610

The following table represents level 3 significant unobservable inputs for the years ended September 30, 2020 and 2019:

	Significant Unobservable Inputs (Level 3)
As of October 1, 2019	$ —
Purchases, issuances and settlements	7,695
Gains and losses	1,081
As of September 30, 2019	8,776
Purchases, issuances and settlements	—
Gains and losses	586
As of September 30, 2020	$ 9,362

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

Griffon has an ESOP that covers substantially all domestic employees. All U.S. employees of Griffon, who are not members of a collective bargaining unit, automatically become eligible to participate in the plan on the October 1st following completion of one qualifying year of service (as defined in the plan). Securities are allocated to participants' individual accounts based on the proportion of each participant's aggregate compensation (not to exceed $285 for the plan year ended September 30, 2020), to the total of all participants' compensation. Shares of the ESOP which have been allocated to employee accounts are charged to expense based on the fair value of the shares transferred and are treated as outstanding in determining earnings per share. Dividends paid on shares held by the ESOP are used to offset debt service on ESOP Loans. Dividends paid on shares held in participant accounts are utilized to allocate shares from the aggregate number of shares to be released, equal in value to those dividends, based on the closing price of Griffon common stock on the dividend payment date. Compensation expense under the ESOP was $2,878 in 2020, $2,629 in 2019 and $9,532 in 2018, including an impact of $2,588 from the April 2018 special dividend. The cost of the shares held by the ESOP and not yet allocated to employees is reported as a reduction of Shareholders' Equity. The fair value of the unallocated ESOP shares as of September 30, 2020 and 2019 based on the closing stock price of Griffon's stock was $40,217 and $47,378, respectively. The ESOP shares were as follows:

	At September 30,	
	2020	**2019**
Allocated shares	3,301,448	3,209,069
Unallocated shares	2,058,187	2,259,308
Total	5,359,635	5,468,377

NOTE 13 – INCOME TAXES

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act ("TCJA"), which significantly changed U.S. tax law. The TCJA lowered the Company's U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018, while also imposing a deemed repatriation tax on previously deferred foreign income. The TCJA also created a new minimum tax on certain foreign earnings, for which the Company has elected to record as a current period expense when incurred.

The Company computed its income tax expense for the September 30, 2018 fiscal year using a blended Federal Tax Rate of 24.5%. The 21% Federal Tax Rate applies to the fiscal year ended September 30, 2019 and each year thereafter.

In accordance with U.S. GAAP for income taxes, as well as SAB 118, the Company made a reasonable estimate of the impacts of the TCJA for the year ended September 30, 2018 and recorded a $20,587 benefit on the revaluation of deferred tax liabilities as a provisional amount for the re-measurement of deferred tax assets and liabilities, as well as an amount for deductible executive compensation expense, both of which have been reflected in the tax provision for 2018. SAB 118 allows for a measurement period of up to one year from the date of enactment to complete the Company's accounting for the impacts of the TCJA. Our analysis under SAB 118 was completed in December 2018 and resulted in no material adjustments to the provision amounts recorded as of September 30, 2018.

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

The Company recorded a provisional transition tax charge of $13,100 net of foreign tax credits for fiscal year 2018. The Company ultimately incurred a transition tax charge of $12,699. Under the TCJA, the Company elected to pay the transition tax interest-free over eight years and at September 30, 2020 has $8,344 remaining on this liability.

During fiscal 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act is an emergency economic stimulus package in response to the coronavirus outbreak which, among other things, contains numerous income tax provisions. The Company evaluated the impact of the legislation and determined that while there was an impact on the timing of certain tax payments, there is no material impact on the Company's consolidated financial statements or related disclosures

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

	For the Years Ended September 30,		
	2020	2019	2018
Domestic	$ 42,634	$ 49,723	$ 4,942
Non-U.S.	40,123	22,455	28,868
	$ 82,757	$ 72,178	$ 33,810

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

	For the Years Ended September 30,		
	2020	2019	2018
Current	$ 27,233	$ 28,778	$ 18,188
Deferred	2,095	(2,222)	(17,633)
Total	$ 29,328	$ 26,556	$ 555
U.S. Federal	$ 10,978	$ 14,160	$ (12,714)
State and local	7,331	6,187	5,175
Non-U.S.	11,019	6,209	8,094
Total provision	$ 29,328	$ 26,556	$ 555

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

	For the Years Ended September 30,		
	2020	2019	2018
U.S. Federal income tax provision (benefit) rate	21.0 %	21.0 %	24.5 %
State and local taxes, net of Federal benefit	6.0 %	6.6 %	10.2 %
Non-U.S. taxes - foreign permanent items and taxes	3.3 %	2.0 %	3.6 %
Change in tax contingency reserves	0.1 %	(0.7)%	(0.6)%
Impact of federal rate change on deferred tax balances	— %	— %	(60.0)%
Tax Reform-Repatriation of Foreign Earnings and GILTI	— %	1.0 %	61.6 %
Change in valuation allowance	(1.5)%	3.3 %	13.4 %
Other non-deductible/non-taxable items, net	1.4 %	3.1 %	(5.2)%
Non-deductible officer's compensation	4.4 %	5.2 %	6.4 %
Research and U.S. foreign tax credits	1.4 %	(4.7)%	(39.4)%
Share based compensation	— %	0.4 %	(3.8)%
Other	(0.7)%	(0.4)%	(9.1)%
Effective tax provision (benefit) rate	35.4 %	36.8 %	1.6 %

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

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

	At September 30,	
	2020	**2019**
Deferred tax assets:		
Bad debt reserves	$ 3,980	$ 1,980
Inventory reserves	9,371	8,361
Deferred compensation (equity compensation and defined benefit plans)	18,904	16,544
Compensation benefits	5,499	5,186
Insurance reserve	1,918	1,873
Warranty reserve	3,981	2,896
Lease liabilities	43,045	—
Net operating loss	9,618	11,077
Tax credits	7,031	9,373
Capital loss carryback	2,205	2,000
Interest	—	5,250
Other reserves and accruals	6,094	3,738
	111,646	68,278
Valuation allowance	(9,824)	(10,823)
Total deferred tax assets	101,822	57,455
Deferred tax liabilities:		
Goodwill and intangibles	(44,051)	(42,477)
Property, plant and equipment	(48,172)	(43,996)
Right-of-use assets	(41,747)	—
Other	(634)	(1,096)
Total deferred tax liabilities	(134,604)	(87,569)
Net deferred tax liabilities	$ (32,782)	$ (30,114)

During the year ended September 30, 2020, the Company adopted ASU 2016-02 relating to Leases (Topic 842). Deferred tax assets and liabilities were recorded relating to the lease liabilities and the right of use assets recognized under this new standard. The Company adopted this update under the modified retrospective approach which required no adjustment to a prior period. At September 30, 2020 the corresponding deferred tax asset and liabilities were $43,045 and $41,747, respectively.

In 2020, the decrease in the valuation allowance of $999 is primarily the result of the expiration of foreign tax credits, partially offset by the generation and usage or non-usage of foreign tax credit generated during the year.

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

	At September 30,	
	2020	**2019**
Other assets	$ 614	$ 137
Other liabilities	(34,008)	(31,141)
Liabilities of discontinued operations	612	890
Net deferred liability	$ (32,782)	$ (30,114)

At both September 30, 2020 and 2019, Griffon has a policy election to indefinitely reinvest the undistributed earnings of foreign subsidiaries with operations outside the U.S. As of September 30, 2020, we have approximately $100,102 of unremitted earnings of non-U.S. subsidiaries. The Company generates substantial cash flow in the U.S. and does not have a current need for the cash to be returned to the U.S. from the foreign entities. In the event these earnings are later remitted to the U.S., any estimated withholding tax on remittance of those earnings is expected to be immaterial to the income tax provision.

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

At September 30, 2020, Griffon had no loss carryforwards for U.S. tax purposes and $9,671 for non-U.S. tax purposes. At September 30, 2019, Griffon had loss carryforwards for U.S. and non-U.S tax purposes of $5,419 and $7,413, respectively. The non-U.S. loss carryforwards are available for carryforward indefinitely.

At September 30, 2020 and 2019, Griffon had interest expense carryforwards of $0 and $25,000, respectively. The interest expense carryforward was utilized in September 30, 2020.

At September 30, 2020 and 2019, Griffon had state and local loss carryforwards of $124,191 and $127,354, respectively, which expire in varying amounts through 2039.

At September 30, 2020 and 2019, Griffon had federal tax credit carryforwards of $5,954 and $8,948, respectively, which expire in varying amounts through 2035.

At September 30, 2020 and 2019, Griffon had capital loss carryovers for U.S. tax purposes of $10,500 and $9,524, respectively, generated in the September 30, 2019 tax year. The carryover is available for three-year carryback or five-year carryforward.

We believe it is more likely than not that the benefit from certain federal and state tax attributes will not be realized. In recognition of this risk, we have provided a valuation allowance as of September 30, 2020 and 2019 of $9,824 and $10,823, respectively, on the deferred tax assets. As it becomes probable that the benefits of these attributes will be realized, the reversal of valuation allowance will be recognized as a reduction of income tax expense.

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

Griffon files U.S. Federal, state and local tax returns, as well as applicable returns in Canada, Australia, U.K. and other non-U.S. jurisdictions. Griffon’s U.S. Federal income tax returns are no longer subject to income tax examination for years before 2015. Griffon's major U.S. state and other non-U.S. jurisdictions are no longer subject to income tax examinations for years before 2013. Various U.S. state and statutory tax audits are currently underway.

The following is a roll forward of unrecognized tax benefits:

Balance at September 30, 2018	$ 4,519
Additions based on tax positions related to the current year	117
Additions based on tax positions related to prior years	(559)
Lapse of Statutes	(16)
Balance at September 30, 2019	4,061
Additions based on tax positions related to the current year	125
Additions based on tax positions related to prior years	20
Reductions based on tax positions related to prior years	(3)
Lapse of Statutes	(23)
Balance at September 30, 2020	$ 4,180

If recognized, the amount of potential tax benefits that would impact Griffon’s effective tax rate is $909. Griffon recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. At September 30, 2020 and 2019, the combined amount of accrued interest and penalties related to tax positions taken or to be taken on Griffon’s tax returns and recorded as part of the reserves for uncertain tax positions was $77 and $66, respectively. Griffon cannot reasonably estimate the extent to which existing liabilities for uncertain tax positions may increase or decrease within the next twelve months as a result of the progression of ongoing tax audits or other events. Griffon believes that it has adequately provided for all open tax years by tax jurisdiction.

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

NOTE 14 – STOCKHOLDERS' EQUITY AND EQUITY COMPENSATION

During 2020, 2019 and 2018, the Company declared and paid cash dividends totaling $0.30 per share, $0.29 per share and $0.28 per share, respectively. In addition, on March 7, 2018, the Board of Directors declared a special cash dividend of $1.00 per share, totaling $38,073 and paid on April 16, 2018 to shareholders of record as of the close of business on March 29, 2018. 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. Dividends paid on shares in the ESOP were used to offset ESOP loan payments 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. At September, 30, 2020, accrued dividends were $3,535.

On November 12, 2020, the Board of Directors declared a cash dividend of $0.08 per share, payable on December 17, 2020 to shareholders of record as of the close of business on November 25, 2020.

On August 18, 2020, the Company sold 8,000,000 shares of our common stock at a price of $21.50 per share through a public equity offering, for a total net proceeds of $163,830, net of underwriting discounts, commissions and offering expenses. In addition, on August 21, 2020, pursuant to the exercise by the underwriters of their overallotment option, the underwriters purchased an additional 700,000 shares of common stock from the Company at a price of $21.50, resulting in additional net proceeds to the Company of $14,335. In total, the Company sold 8,700,000 shares of common stock at a price of $21.50 for a total net proceeds of $178,165. The Company used a portion of the net proceeds to temporarily repay outstanding borrowings under its Credit Agreement. The Company intends to use the remainder of the proceeds for working capital and general corporate purposes, including to expand its current business through acquisitions of, or investments in, other businesses or products.

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. On January 31, 2018, shareholders approved Amendment No. 1 to the Incentive Plan pursuant to which, among other things, 1,000,000 shares were added to the Incentive Plan; and on January 30, 2020, shareholders approved Amendment No. 2 to the Incentive Plan, pursuant to which 1,700,000 shares were added to the Incentive Plan. Options granted under the Incentive Plan may be either "incentive stock options" or nonqualified stock options, which 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. As of September 30, 2020, there are no stock options outstanding. The maximum number of shares of common stock available for award under the Incentive Plan is 5,050,000 (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 of underlying awards outstanding on such effective date under the 2011 Incentive Plan that are canceled or forfeited. As of September 30, 2020, 1,167,172 shares were available for grant.

Compensation expense for restricted stock and restricted stock units ("RSUs") is recognized ratably over the required service period based on the fair value of the grant, calculated as the number of shares (or RSUs) granted multiplied by the stock price on date of grant, and for performance shares (or performance RSUs), the likelihood of achieving the performance criteria. Compensation expense for restricted stock granted to two senior executives is calculated as the maximum number of shares granted, upon achieving certain performance criteria, multiplied by the stock price as valued by a Monte Carlo Simulation Model. Compensation cost related to stock-based awards with graded vesting, generally over a period of three to four years, is recognized using the straight-line attribution method and recorded within Selling, general and administrative expenses.

The following table summarizes the Company's compensation expense relating to all stock-based compensation plans:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
Restricted stock	$ 14,702	$ 13,285	$ 10,078
ESOP	2,878	2,629	9,532
Total stock based compensation	$ 17,580	$ 15,914	$ 19,610

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

In 2018, the ESOP compensation expense includes dividends paid on allocated shares in connection with the special cash dividend as mentioned above, of $1.00 per share paid on April 16, 2018 to shareholders of record as of the close of business on March 29, 2018.

A summary of restricted stock activity, inclusive of restricted stock units, for 2020 is as follows:

	Shares	Weighted Average Grant- Date Fair Value
Unvested at September 30, 2019	3,713,573	$ 12.96
Granted	1,061,624	17.10
Vested	(831,748)	21.51
Forfeited	(257,859)	15.35
Unvested at September 30, 2020	3,685,590	14.30

The fair value of restricted stock which vested during 2020, 2019, and 2018 was $17,889, $4,748 and $11,216, respectively.

Unrecognized compensation expense related to non-vested shares of restricted stock was $22,340 at September 30, 2020 and will be recognized over a weighted average vesting period of 2.3 years.

At September 30, 2020, a total of approximately 4,852,762 shares of Griffon's authorized Common Stock were reserved for issuance in connection with stock compensation plans.

During 2020, Griffon granted 1,061,624 shares of restricted stock and restricted stock units. This included 348,280 shares of restricted stock and restricted stock units, subject to certain performance conditions, with vesting periods of approximately three years, with a total fair value of $7,446, or a weighted average fair value of $21.38 per share. This also included 53,344 of restricted shares granted to non-employee directors of Griffon with a vesting period of three years and a fair value of $1,170, or a weighted average fair value of $21.93 per share. Furthermore, this included 660,000 shares of restricted stock granted to two senior executives with a vesting period of four years and a two year post-vesting holding period, 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 480,000 to 660,000. The Monte Carlo Simulation model was chosen to value the two senior executive awards; The total fair value of these restricted shares using the Monte Carlo Simulation model is approximately $9,534, or a weighted average fair value of $14.45.

On each of August 3, 2016 and August 1, 2018, 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 of its common stock, depending upon market conditions, in open market or privately negotiated transactions, including pursuant to a 10b5-1 plan. Shares repurchased are recorded at cost. During 2020, Griffon did not purchase shares of common stock under these repurchase programs. At September 30, 2020 an aggregate of $57,955 remains under Griffon's Board authorized repurchase authorizations.

During the year ended September 30, 2020, 340,775 shares, with a market value of $7,409, or $21.74 per share, were withheld to settle employee taxes due upon the vesting of restricted stock, and were added to treasury stock. Furthermore, during 2020, an additional 3,307 shares, with a market value of $70, or $21.22 per share, were withheld from common stock issued upon the vesting of restricted stock units to settle employee taxes due upon vesting.

On June 19, 2018, GS Direct, L.L.C., an affiliate of Goldman Sachs & Co. ("GS Direct") completed an underwritten secondary offering to sell 5,583,375 shares of Griffon's common stock, inclusive of the underwriters' 30-day option to purchase additional shares. GS Direct's original 10,000,000 share investment was in 2008; following the closing of the offering, GS Direct no longer owns any shares of Griffon.

NOTE 15 – COMMITMENTS AND CONTINGENT LIABILITIES

Leases

Griffon rents real property and equipment under operating leases expiring at various dates. Most of the real property leases have escalation clauses related to increases in real property taxes. Additionally, two Griffon subsidiaries have finance leases outstanding for real estate located in Troy, Ohio and Ocala, Florida. The leases mature in 2021 and 2025, respectively. The Ocala, Florida lease contains two five-year renewal options. Griffon also has various finance equipment leases. Refer to Note 22 - Leases for further information.

Aggregate future maturities of lease payments for operating leases and finance leases as of September 30, 2020 are as follows (in thousands):

	Operating Leases	Finance Leases
2021	$ 38,411	$ 4,282
2022	33,286	2,695
2023	25,599	2,375
2024	19,057	2,119
2025	16,334	2,074
2026	71,903	9,850
Total lease payments	204,590	23,395
Less: Imputed Interest	(36,688)	(4,704)
Present value of lease liabilities	$ 167,902	$ 18,691

Purchase Commitments

Purchase obligations are generally for the purchase of goods and services in the ordinary course of business. Griffon uses blanket purchase orders to communicate expected requirements to certain vendors. Purchase obligations reflect those purchase orders where the commitment is considered to be firm. Amounts purchased under such commitments were $239,365, $226,026 and $209,924 for the years ended September 30, 2020, 2019 and 2018, respectively. Purchase obligations that extend beyond 2020 are principally related to long-term contracts received from customers of Telephonics. Aggregate future minimum purchase obligations at September 30, 2020 are $377,388 in 2021, $9,748 in 2022, $12 in 2023, $0 in 2024 and $0 in 2025.

Legal and environmental

Peekskill Site. Lightron Corporation (“Lightron”), a wholly-owned subsidiary of Griffon, once conducted operations at a location in the Town of Cortlandt, New York, just outside the city of Peekskill, New York (the “Peekskill Site”) owned by ISC Properties, Inc. (“ISCP”), a wholly-owned subsidiary of Griffon. ISCP sold the Peekskill Site in November 1982.

Subsequently, ISCP was advised by the Department of Environmental Conservation of New York State (the "DEC") that sampling at the Peekskill Site and in a creek near the Peekskill Site indicated concentrations of solvents and other chemicals common to prior plating operations by a Lightron subsidiary. In 1996, ISCP entered into a consent order with the DEC (the “Consent Order”), pursuant to which ISCP was required to perform a remedial investigation and prepare a feasibility study (the “Feasibility Study”). After completing the initial remedial investigation, ISCP conducted supplemental remedial investigations over the next several years, including soil vapor investigations, as required by the Consent Order.

In April 2009, the DEC advised ISCP 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. ISCP submitted to the DEC a draft Feasibility Study which was accepted and approved by the DEC in February 2011. ISCP satisfied its obligations under the Consent Order when DEC approved the Remedial Investigation and Feasibility Study for the Peekskill Site. In June 2011 the DEC issued a Record of Decision that set forth a Remedial Action Plan for the Peekskill Site that identified the specific remedies selected and responded to public comments. The cost of the remedy proposed by DEC in its Remedial Action Plan was approximately $10,000.

Following issuance of the Remedial Action Plan, the DEC implemented a portion of its plan, and also performed additional investigation for the presence of metals in soils and sediments downstream from the Peekskill Site. During this investigation metals were found to be present in sediments further downstream from the Peekskill site than previously detected.

In August 2018, the DEC sent a letter to the United States Environmental Protection Agency (the “EPA”), in which the DEC requested that the Peekskill Site be nominated by the EPA for inclusion on the National Priorities List under CERCLA (the “NPL”). Based on the DEC’s request and an analysis by a consultant retained by the EPA, on May 15, 2019 the EPA added the Peekskill Site to the NPL and has since announced that it is performing a Remedial Investigation/Feasibility Study. On August 25, 2020, the EPA send a letter to several parties, including Lightron and ISCP, requesting that each such party inform the EPA as to whether it would be willing to enter into discussions regarding implementation of a Remedial Investigation/Feasibility Study (“RI/FS”). The EPA also sent a request for information to each party under Section 104(e) of CERCLA. Lightron and ISCP have informed the EPA that they are willing to participate in discussions regarding implementation of the RI/FS. Lightron and ISCP have also submitted responses to certain items contained in the Section 104(e) information request, with additional responses to follow. The current owner of the property, which acquired the Peekskill Site from ISCP in 1982 and has no relationship with Lightron or ISCP, has also informed the EPA that it is willing to discuss implementation of the RI/FS, and has also received, and submitted certain information in response to, a Section 104(e) information request. The EPA may decide to implement the RI/FS, on its own or through the use of consultants, may reach agreement with one or more parties to perform the RI/FS, or may offer to negotiate with one or more parties to accept a settlement addressing the potential liability of such parties for investigation and/or remediation at the Peekskill Site. Should the EPA implement the RI/FS, or perform further studies and/or subsequently remediate the site, without first reaching agreement with one or more relevant parties, the EPA would likely seek reimbursement for the costs incurred from such parties.

Lightron has not engaged in any operations in over three decades. ISCP functioned solely as a real estate holding company, and has not held any real property in over three decades. Griffon does not acknowledge any responsibility to perform any investigation or remediation at the Peekskill Site.

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 entered into an Order on Consent with the New York State Department of Environmental Conservation (“DEC”). While the Order is without admission or finding of liability or acknowledgment that there has been a release of hazardous substances at the site, the Order required Ames to perform a remedial investigation of certain portions of the property and to recommend a remediation option. In 2018, Ames submitted a Feasibility Study recommending excavation of shallow soils for lead, arsenic and hydrocarbons in addition to deeper excavation for lead. DEC approved the selection of this remedy in 2019 by issuing a Record of Decision (“ROD”). Beginning in late 2019 and through June 2020, Ames completed the remediation required by the ROD and filed a Construction Completion Report, a Site Management Plan and an environmental easement with the DEC. While Ames was implementing the remediation required by the ROD, the DEC requested additional investigation of a small area on the site and of an area adjacent to the site perimeter. Ames investigated the on-site area and has submitted a workplan to remediate the limited contamination found as a result of this investigation. Ames has also submitted a workplan to investigate the areas adjacent to the site perimeter. AMES has a number of defenses to liability in this matter, including its rights under a previous Consent Judgment entered into between the DEC and a predecessor of AMES relating to the site. Ames’ insurer has accepted Ames’ claim for a substantial portion of the costs incurred and to be incurred for both the on-site and off-site activities.

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, the Defense Criminal Investigative Service, and the Department of Justice which has responsibility for asserting claims on behalf of the U.S. Government.

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

General legal

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

NOTE 16 – EARNINGS PER SHARE

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. In August 2020, Griffon Corporation completed the Public Offering of 8,700,000 shares of our common stock at a price of $21.50 per share. Total proceeds, net of fees, were $178,165.

The following table is a reconciliation of the share amounts (in thousands) used in computing basic and diluted EPS for 2020, 2019 and 2018 :

	2020	2019	2018
Common shares outstanding	56,130	46,806	45,675
Unallocated ESOP shares	(2,058)	(2,259)	(2,477)
Non-vested restricted stock	(3,556)	(3,420)	(2,522)
Impact of weighted average shares	(7,928)	(193)	329
Weighted average shares outstanding - basic	42,588	40,934	41,005
Incremental shares from stock based compensation	2,427	1,954	1,417
Weighted average shares outstanding - diluted	45,015	42,888	42,422

Anti-dilutive shares were not material. Shares of the ESOP that have been allocated to employee accounts are treated as outstanding in determining earnings per share.

NOTE 17 – RELATED PARTIES

On September 5, 2017, Griffon entered into an engagement letter with Goldman Sachs & Co. ("Goldman Sachs") pursuant to which Goldman Sachs agreed to act as Griffon's financial advisor in connection with the exploration of strategic alternatives for Plastics. On November 15, 2017, Griffon signed an agreement to sell Plastics for approximately $465,000 to Berry. Under the terms of the engagement letter, upon the closing of the transaction a customary advisory fee was paid by Griffon to Goldman Sachs.

Goldman Sachs acted as a joint lead manager and as an initial purchaser in connection with Griffon's add-on offering of $275,000 aggregate principal amount of 5.25% senior notes due 2022 that closed on October 2, 2017, and received a customary fee upon closing of the offering.

On June 19, 2018, GS Direct completed an underwritten secondary offering to sell 5,583,375 shares of Griffon's common stock, inclusive of the underwriters' 30-day option to purchase additional shares. GS Direct's initial 10,000,000 share investment was in 2008; following the closing of the offering, GS Direct no longer owns any shares of Griffon.

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

NOTE 18 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly results of continuing operations for 2020 and 2019 were as follows:

Quarter ended	Revenue	Gross Profit	Income from continuing operations	Per Share - Basic	Per Share - Diluted
2020					
December 31, 2019	$ 548,438	$ 149,921	$ 10,612	$ 0.26	$ 0.24
March 31, 2020	566,350	152,032	895	0.02	0.02
June 30, 2020	632,061	165,003	21,831	0.52	0.50
September 30, 2020	660,673	174,470	20,091	0.44	0.41
	$ 2,407,522	$ 641,426	$ 53,429	$ 1.25	$ 1.19
2019					
December 31, 2018	$ 510,522	$ 139,780	$ 8,753	$ 0.21	$ 0.21
March 31, 2019	549,633	133,537	6,490	0.16	0.15
June 30, 2019	574,970	151,699	14,128	0.34	0.33
September 30, 2019	574,164	158,458	16,251	0.40	0.37
	$ 2,209,289	$ 583,474	$ 45,622	$ 1.11	$ 1.06

Notes to Quarterly Financial Information (unaudited):

- Earnings (loss) per share are computed independently for each quarter and year presented; as such the sum of the quarters may not be equal to the full year amounts.
- 2020 Net income, and the related per share earnings, included, net of tax, restructuring charges of $4,148, $3,005, $1,224 and $3,488 for the first, second, third and fourth quarters, respectively, acquisition costs of $2,321 for the second quarter, loss from debt extinguishment $5,245 and $969 for the second and third quarters, respectively, benefit from the reversal of contingent consideration related to the Kelkay acquisition of $1,403 for the fourth quarter. The fourth quarter also includes a $15 and $24 tax benefit for acquisition costs and loss from debt extinguishment, respectively.
- 2019 Net income, and the related per share earnings, included, net of tax, a benefit from the reversal of contingent consideration related to the Kelkay acquisition of $1,333 for the fourth quarter.

NOTE 19 — REPORTABLE SEGMENTS

Griffon conducts its operations through three reportable segments from continuing operations, as follows:

- Consumer and Professional Products ("CPP") conducts its operations through AMES. Founded in 1774, AMES is the leading North American manufacturer and a global provider of branded consumer and professional tools and products for home storage and organization, landscaping, and enhancing outdoor lifestyles. CPP sells products globally through a portfolio of leading brands including True Temper, AMES, and ClosetMaid.

- Home and Building Products ("HBP") conducts its operations through Clopay. Founded in 1964, Clopay is the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Residential and commercial sectional garage doors are sold through professional dealers and leading home center retail chains throughout North America under the brands Clopay, Ideal, and Holmes. Rolling steel door and grille products designed for commercial, industrial, institutional, and retail use are sold under the CornellCookson brand.

- Defense Electronics conducts its operations through Telephonics Corporation ("Telephonics"), founded in 1933, a globally recognized leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.

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

Information on Griffon's reportable segments from continuing operations is as follows:

	For the Years Ended September 30,		
REVENUE	**2020**	**2019**	**2018**
Consumer and Professional Products	$ 1,139,233	$ 1,000,608	$ 953,612
Home and Building Products	927,313	873,640	697,969
Defense Electronics	340,976	335,041	326,337
Total consolidated net sales	$ 2,407,522	$ 2,209,289	$ 1,977,918

Griffon evaluates performance and allocates resources based on each segment's operating results from continuing operations before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (primarily corporate overhead), restructuring charges, loss on debt extinguishment and acquisition related expenses, as well as other items that may affect comparability, as applicable ("Segment Adjusted EBITDA").

The following table provides a reconciliation of Segment Adjusted EBITDA to Income before taxes and discontinued operations:

	For the Years Ended September 30,		
	2020	**2019**	**2018**
Segment Adjusted EBITDA:			
Consumer and Professional Products	$ 104,053	$ 90,677	$ 77,061
Home and Building Products	153,631	120,161	100,339
Defense Electronics	25,228	35,104	36,063
Segment Adjusted EBITDA	282,912	245,942	213,463
Unallocated amounts, excluding depreciation	(47,013)	(46,302)	(45,343)
Adjusted EBITDA	235,899	199,640	168,120
Net interest expense	(65,791)	(67,260)	(63,871)
Depreciation and amortization	(62,409)	(61,848)	(55,803)
Restructuring charges	(15,790)	—	—
Loss from debt extinguishment	(7,925)	—	—
Acquisition contingent consideration	1,733	1,646	—
Acquisition costs	(2,960)	—	(7,597)
Special dividend charges	—	—	(3,220)
Cost of life insurance benefit	—	—	(2,614)
Secondary equity offering costs	—	—	(1,205)
Income before taxes from continuing operations	$ 82,757	$ 72,178	$ 33,810

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

	For the Years Ended September 30,		
DEPRECIATION and AMORTIZATION	**2020**	**2019**	**2018**
Segment:			
Consumer and Professional Products	$ 32,788	$ 32,289	$ 30,816
Home and Building Products	18,361	18,334	13,717
Defense Electronics	10,645	10,667	10,801
Total segment depreciation and amortization	61,794	61,290	55,334
Corporate	615	558	469
Total consolidated depreciation and amortization	$ 62,409	$ 61,848	$ 55,803
CAPITAL EXPENDITURES			
Segment:			
Consumer and Professional Products	$ 23,321	$ 17,828	$ 23,040
Home and Building Products	17,499	16,498	13,547
Defense Electronics	7,830	10,492	10,941
Total segment	48,650	44,818	47,528
Corporate	348	543	2,610
Total consolidated capital expenditures	$ 48,998	$ 45,361	$ 50,138

ASSETS	**At September 30, 2020**	**At September 30, 2019**
Segment assets:		
Consumer and Professional Products	$ 1,262,705	$ 1,070,510
Home and Building Products	606,785	571,216
Defense Electronics	329,128	347,575
Total segment assets	2,198,618	1,989,301
Corporate	248,902	82,429
Total continuing assets	2,447,520	2,071,730
Assets of discontinued operations	8,497	3,209
Consolidated total	$ 2,456,017	$ 2,074,939

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

Disaggregation of Revenue

Revenue from contracts with customers is disaggregated by end markets, segments and geographic location, as it more accurately depicts the nature and amount of the Company's revenue.

	For the Year Ended September 30, 2020	For the Year Ended September 30, 2019
Residential repair and remodel	$ 173,859	$ 140,369
Retail	575,947	528,279
Residential new construction	59,907	58,709
Industrial	40,285	45,129
International excluding North America	289,235	228,122
Total Consumer and Professional Products	1,139,233	1,000,608
Residential repair and remodel	467,112	439,287
Commercial construction	354,916	335,339
Residential new construction	105,285	99,014
Total Home and Building Products	927,313	873,640
U.S. Government	222,537	211,405
International	100,623	105,705
Commercial	17,816	17,931
Total Defense Electronics	340,976	335,041
Total Consolidated Revenue	$ 2,407,522	$ 2,209,289

The following table presents revenue disaggregated by geography based on the location of the Company's customer:

	For the Year Ended September 30, 2020			
Revenue by Geographic Area - Destination	**Consumer and Professional Products**	**Home and Building Products**	**Defense Electronics**	**Total**
United States	$ 769,100	$ 877,115	$ 234,382	$ 1,880,597
Europe	85,339	130	38,353	123,822
Canada	74,072	38,662	12,043	124,777
Australia	203,012	—	1,882	204,894
All other countries	7,710	11,406	54,316	73,432
Consolidated revenue	$ 1,139,233	$ 927,313	$ 340,976	$ 2,407,522

	For the Year Ended September 30, 2019			
Revenue by Geographic Area - Destination	**Consumer and Professional Products**	**Home and Building Products**	**Defense Electronics**	**Total**
United States	$ 690,772	$ 820,396	$ 226,095	$ 1,737,263
Europe	63,284	109	36,915	100,308
Canada	72,327	39,472	10,568	122,367
Australia	165,291	16	3,712	169,019
All other countries	8,934	13,647	57,751	80,332
Consolidated revenue	$ 1,000,608	$ 873,640	$ 335,041	$ 2,209,289

As a percentage of segment revenue, CPP sales to The Home Depot approximated 27%, 28% and 29% in 2020, 2019 and 2018, respectively; HBP sales to The Home Depot approximated 12%, 13% and 16% in 2020, 2019 and 2018, respectively; and DE aggregate sales to the United States Government and its agencies approximated 69%, 63% and 62% in 2020, 2019 and 2018, respectively.

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

As a percentage of Griffon's consolidated revenue from continuing operations, CPP sales to The Home Depot approximated 13%, in both 2020 and 2019, and 14% in 2018; HBP sales to The Home Depot approximated 5% in both 2020 and 2019, and 6% in 2018; and DE aggregate sales to the United States Government and its agencies approximated 9% in 2020, and 10% in both 2019 and 2018.

NOTE 20 – OTHER INCOME (EXPENSE)

For the year ended September 30, 2020, 2019 and 2018, Other income (expense) from continuing operations of $1,445, $3,127 and $4,880, respectively, includes $915, $438 and $200, respectively, of net currency exchange transaction losses from receivables and payables held in non-functional currencies, $184, $(40) and $1,184, respectively, of net gains or (losses) on investments, and $1,559 and $3,148 and $3,649, respectively, of net periodic benefit plan income. Additionally, in 2020, Other income (expense) also includes a one-time technology recognition award for $700.

NOTE 21 - OTHER COMPREHENSIVE INCOME (LOSS)

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

	Years Ended September 30,								
	2020			2019			2018		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	$ 5,601	$ —	$ 5,601	$ (8,460)	$ —	$ (8,460)	$ 9,403	$ —	$ 9,403
Pension and other defined benefit plans	(14,955)	3,171	(11,784)	(30,581)	7,526	(23,055)	24,081	(7,700)	16,381
Cash flow hedge	10	(3)	7	(413)	124	(289)	900	(315)	585
Total other comprehensive income (loss)	$ (9,344)	$ 3,168	$ (6,176)	$ (39,454)	$ 7,650	$ (31,804)	$ 34,384	$ (8,015)	$ 26,369

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

	At September 30,	
	2020	2019
Foreign currency translation	$ (25,683)	$ (31,284)
Pension and other defined benefit plans	(46,598)	(34,814)
Cash flow hedge	189	182
Total	$ (72,092)	$ (65,916)

Total comprehensive income (loss) were as follows:

	For the Years Ended September 30,		
	2020	2019	2018
Net income	$ 53,429	$ 37,287	$ 125,678
Other comprehensive income (loss), net of taxes	(6,176)	(31,804)	26,369
Comprehensive income (loss)	$ 47,253	$ 5,483	$ 152,047

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

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

	For the Years Ended September 30,		
Gain (Loss)	2020	2019	2018
Pension amortization	$ (4,182)	$ (902)	$ (1,397)
Cash flow hedges	(2,163)	1,361	657
Total before tax	(6,345)	459	(740)
Tax	1,332	(96)	155
Net of tax	$ (5,013)	$ 363	$ (585)

NOTE 22 — LEASES

In February 2016, the FASB issued an Accounting Standards Update (ASU 2016-02) related to the accounting and financial statement presentation for leases. This new guidance requires a lessee to recognize right-of-use ("ROU") assets and lease liabilities on the balance sheet, with an election to exempt leases with a term of twelve months or less. The Company adopted the requirements of the new standard as of October 1, 2019 and applied the modified retrospective approach, whereby the cumulative effect of adoption is recognized as of the date of adoption and comparative prior periods are not retrospectively adjusted. As a result, upon adoption, we have recognized ROU assets of $163,552 and lease liabilities of $163,676 associated with our operating leases. The standard had no material impact to retained earnings or on our Consolidated Statements of Income or Consolidated Statements of Cash Flows. The Company has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows us to carry forward the historical lease classification. We also elected a practical expedient to determine the reasonably certain lease term.

The Company determines if an arrangement is a lease at inception. The ROU assets and short and long-term liabilities associated with our operating leases are shown as separate line items on our Condensed Consolidated Balance Sheets. Finance leases are included in property, plant, and equipment, net, other accrued liabilities, and other non-current liabilities. The Company's finance leases are immaterial. ROU assets, along with any other related long-lived assets, are periodically evaluated for impairment. In connection with the Company's restructuring activities, during the year ended September 30, 2020, a $1,968 impairment charge was recorded related to a facility’s operating lease as well as $671 and of leasehold improvements made to the leased facility that have no recoverable value. See Note 9, Restructuring Charges.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. For leases existing as of October 1, 2019, we have elected to use the remaining lease term as of the adoption date in determining the incremental borrowing rate. Our determination of the lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

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

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases and impaired operating leases, the ROU asset is depreciated on a straight-line basis over the remaining lease term, along with recognition of interest expense associated with accretion of the lease liability. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the Condensed Consolidated Balance Sheets. Variable lease cost for both operating and finance leases, if any, is recognized as incurred. The Company has lease agreements that contain both lease and non-lease components. For real estate leases, we account for lease components together with non-lease components (e.g., common-area maintenance). Components of operating lease costs are as follows:

	For the Year Ended September 30, 2020	
Fixed [(a)]	$	38,554
Variable [(a), (b)]		7,822
Short-term [(b)]		5,606
Total	$	51,982

(a) Primarily related to common-area maintenance and property taxes.
(b) Not recorded on the balance sheet.

Fixed rent expense for all operating leases totaled approximately $37,068 and $35,726 in 2019 and 2018, respectively.

Supplemental cash flow information were as follows:

	For the Year Ended September 30, 2020	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	48,141
Financing cash flows from finance leases		4,122
Total	$	52,263

Supplemental Condensed Consolidated Balance Sheet information related to leases were as follows:

		At September 30, 2020
Operating Leases:		
Right of use assets:		
Operating right-of-use assets	$	161,627
Lease Liabilities:		
Current portion of operating lease liabilities	$	31,848
Long-term operating lease liabilities		136,054
Total operating lease liabilities	$	167,902
Finance Leases:		
Right of use assets:		
Property, plant and equipment, net[(1)]	$	18,774
Lease Liabilities:		
Notes payable and current portion of long-term debt	$	3,352
Long-term debt, net		15,339
Total financing lease liabilities	$	18,691

(1) Finance lease assets are recorded net of accumulated depreciation of $2,383.

Two Griffon subsidiaries have finance leases outstanding for real estate located in Troy, Ohio and Ocala, Florida. The leases mature in 2021 and 2025, respectively, and bear interest at fixed rates of approximately 5.0% and 5.6%, respectively. The Troy, Ohio lease is secured by a mortgage on the real estate and is guaranteed by Griffon. The Ocala, Florida lease contains two five-year renewal options. As of September 30, 2020 and 2019, $17,188 and $4,333, respectively, was outstanding, net of issuance costs. The remaining lease liability balance relates to finance equipment leases.

Finance leases included in the consolidated balance sheet at September 30, 2019, under Property, plant and equipment, net totaled $6,546. In 2019 and 2018, Depreciation expense was $3,967, and $3,514, respectively.

The aggregate future maturities of lease payments for operating leases and finance leases as of September 30, 2020 are as follows (in thousands):

		Operating Leases		Finance Leases
2021	$	38,411	$	4,282
2022		33,286		2,695
2023		25,599		2,375
2024		19,057		2,119
2025		16,334		2,074
2026		71,903		9,850
Total lease payments		204,590		23,395
Less: Imputed Interest		(36,688)		(4,704)
Present value of lease liabilities	$	167,902	$	18,691

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

Average lease terms and discount rates were as follows:

	September 30, 2020
Weighted-average remaining lease term (years)	
Operating Leases	8.3
Finance Leases	8.5
Weighted-average discount rate	
Operating Leases	4.38%
Finance Leases	5.51%

NOTE 23 – CONSOLIDATING GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

Griffon's Senior Notes are fully and unconditionally guaranteed, jointly and severally, by Clopay Corporation, Telephonics Corporation, The AMES Companies, Inc., ATT Southern LLC, Clopay Ames Holding Corp., ClosetMaid, LLC, CornellCookson, LLC and Cornell Real Estate Holdings, LLC. all of which are indirectly 100% owned by Griffon. In accordance with Rule 3-10 of Regulation S-X promulgated under the Securities Act, presented below are condensed consolidating financial information as of September 30, 2020 and 2019, and for the years ended September 30, 2020, 2019 and 2018. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor companies or non-guarantor companies operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their wholly owned subsidiaries accounted for under the equity method.

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

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

CONDENSED CONSOLIDATING BALANCE SHEETS
At September 30, 2020

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	$ 125,353	$ 35,685	$ 57,051	$ —	$ 218,089
Accounts receivable, net of allowances	—	293,943	54,181	—	348,124
Contract assets, net of progress payments	—	80,572	3,854	—	84,426
Inventories	—	347,473	66,352	—	413,825
Prepaid and other current assets	14,650	25,974	6,273	—	46,897
Assets of discontinued operations	—	—	2,091	—	2,091
Total Current Assets	140,003	783,647	189,802	—	1,113,452
PROPERTY, PLANT AND EQUIPMENT, net	1,182	296,082	46,700	—	343,964
OPERATING LEASE RIGHT-OF-USE ASSETS	9,209	129,813	22,605	—	161,627
GOODWILL	—	377,060	65,583	—	442,643
INTANGIBLE ASSETS, net	93	217,317	137,618	—	355,028
INTERCOMPANY RECEIVABLE	568,124	704,415	257,013	(1,529,552)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	1,724,821	784,644	3,176,855	(5,686,320)	—
OTHER ASSETS	12,585	25,953	(5,641)	—	32,897
ASSETS OF DISCONTINUED OPERATIONS	—	—	6,406	—	6,406
Total Assets	$ 2,456,017	$ 3,318,931	$ 3,896,941	$ (7,215,872)	$ 2,456,017
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	$ —	$ 2,855	$ 7,067	$ —	$ 9,922
Accounts payable and accrued liabilities	37,281	276,580	89,818	—	403,679
Current portion of operating lease liabilities	1,849	24,436	5,563	—	31,848
Liabilities of discontinued operations	—	—	3,797	—	3,797
Total Current Liabilities	39,130	303,871	106,245	—	449,246
LONG-TERM DEBT, net	995,636	15,992	25,414	—	1,037,042
LONG-TERM OPERATING LEASE LIABILITIES	8,415	110,061	17,578	—	136,054
INTERCOMPANY PAYABLES	683,076	397,846	459,599	(1,540,521)	—
OTHER LIABILITIES	29,609	85,731	11,170	—	126,510
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	7,014	—	7,014
Total Liabilities	1,755,866	913,501	627,020	(1,540,521)	1,755,866
SHAREHOLDERS’ EQUITY	700,151	2,405,430	3,269,921	(5,675,351)	700,151
Total Liabilities and Shareholders’ Equity	$ 2,456,017	$ 3,318,931	$ 3,896,941	$ (7,215,872)	$ 2,456,017

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

CONDENSED CONSOLIDATING BALANCE SHEETS
At September 30, 2019

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	1,649	25,217	45,511	—	72,377
Accounts receivable, net of allowances	—	225,870	38,580	—	264,450
Contract assets, net of progress payments	—	104,109	1,002	—	105,111
Inventories, net	—	372,581	69,540	—	442,121
Prepaid and other current assets	8,238	25,610	6,951	—	40,799
Assets of discontinued operations	—	—	321	—	321
Total Current Assets	9,887	753,387	161,905	—	925,179
PROPERTY, PLANT AND EQUIPMENT, net	1,184	289,282	46,860	—	337,326
GOODWILL	—	375,734	61,333	—	437,067
INTANGIBLE ASSETS, net	93	224,275	132,271	—	356,639
INTERCOMPANY RECEIVABLE	5,834	881,110	75,684	(962,628)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	1,628,031	581,438	3,233,038	(5,442,507)	—
OTHER ASSETS	8,182	10,010	(2,352)	—	15,840
ASSETS OF DISCONTINUED OPERATIONS	—	—	2,888	—	2,888
Total Assets	1,653,211	3,115,236	3,711,627	(6,405,135)	2,074,939
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	—	3,075	7,450	—	10,525
Accounts payable and accrued liabilities	41,796	265,055	68,390	—	375,241
Liabilities of discontinued operations	—	—	4,333	—	4,333
Total Current Liabilities	41,796	268,130	80,173	—	390,099
LONG-TERM DEBT, net	1,040,449	3,119	50,181	—	1,093,749
INTERCOMPANY PAYABLES	71,634	466,792	444,557	(982,983)	—
OTHER LIABILITIES	21,569	73,411	15,017	—	109,997
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	3,331	—	3,331
Total Liabilities	1,175,448	811,452	593,259	(982,983)	1,597,176
SHAREHOLDERS' EQUITY	477,763	2,303,784	3,118,368	(5,422,152)	477,763
Total Liabilities and Shareholders' Equity	1,653,211	3,115,236	3,711,627	(6,405,135)	2,074,939

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

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended September 30, 2020

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 1,938,972	$ 507,621	$ (39,071)	$ 2,407,522
Cost of goods and services	—	1,450,924	355,696	(40,524)	1,766,096
Gross profit	—	488,048	151,925	1,453	641,426
Selling, general and administrative expenses	24,876	357,901	103,991	(370)	486,398
Income (loss) from operations	(24,876)	130,147	47,934	1,823	155,028
Other income (expense)					
Interest income (expense), net	(27,129)	(38,301)	(361)	—	(65,791)
Loss on extinguishment of debt	(7,925)	—	—	—	(7,925)
Other, net	(523)	(7,946)	11,762	(1,848)	1,445
Total other income (expense)	(35,577)	(46,247)	11,401	(1,848)	(72,271)
Income (loss) before taxes	(60,453)	83,900	59,335	(25)	82,757
Provision (benefit) for income taxes	(11,907)	25,445	15,788	2	29,328
Income (loss) before equity in net income of subsidiaries	(48,546)	58,455	43,547	(27)	53,429
Equity in net income (loss) of subsidiaries	101,975	43,505	58,455	(203,935)	—
Net income (loss)	$ 53,429	$ 101,960	$ 102,002	$ (203,962)	$ 53,429
Comprehensive income (loss)	$ 47,253	$ 101,960	$ 102,002	$ (203,962)	$ 47,253

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

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended September 30, 2019

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 1,808,824	$ 437,542	$ (37,077)	$ 2,209,289
Cost of goods and services	—	1,353,663	310,707	(38,555)	1,625,815
Gross profit	—	455,161	126,835	1,478	583,474
Selling, general and administrative expenses	22,566	327,306	97,661	(370)	447,163
Income (loss) from operations	(22,566)	127,855	29,174	1,848	136,311
Other income (expense)					
Interest income (expense), net	(27,883)	(39,288)	(89)	—	(67,260)
Other, net	(778)	(17,699)	23,452	(1,848)	3,127
Total other income (expense)	(28,661)	(56,987)	23,363	(1,848)	(64,133)
Income (loss) before taxes	(51,227)	70,868	52,537	—	72,178
Provision (benefit) for income taxes	(7,425)	20,534	13,447	—	26,556
Income (loss) before equity in net income of subsidiaries	(43,802)	50,334	39,090	—	45,622
Equity in net income (loss) of subsidiaries	81,089	44,303	50,334	(175,726)	—
Income (loss) from continuing operations	37,287	94,637	89,424	(175,726)	45,622
Income (loss) from operations of discontinued businesses	—	—	(11,050)	—	(11,050)
Provision (benefit) from income taxes	—	—	(2,715)	—	(2,715)
Income (loss) from discontinued operations	—	—	(8,335)	—	(8,335)
Net Income (loss)	$ 37,287	$ 94,637	$ 81,089	$ (175,726)	$ 37,287
Comprehensive income (loss)	$ 5,483	$ 87,851	$ 87,875	$ (175,726)	$ 5,483

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

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended September 30, 2018

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 1,638,792	$ 367,149	$ (28,023)	$ 1,977,918
Cost of goods and services	—	1,250,261	245,687	(29,348)	1,466,600
Gross profit	—	388,531	121,462	1,325	511,318
Selling, general and administrative expenses	37,540	290,475	90,872	(370)	418,517
Income (loss) from operations	(37,540)	98,056	30,590	1,695	92,801
Other income (expense)					
Interest income (expense), net	(23,911)	(31,913)	(8,047)	—	(63,871)
Other, net	(7,666)	125,531	(111,248)	(1,737)	4,880
Total other income (expense)	(31,577)	93,618	(119,295)	(1,737)	(58,991)
Income (loss) before taxes from continuing operations	(69,117)	191,674	(88,705)	(42)	33,810
Provision (benefit) for income taxes	(17,692)	9,546	8,743	(42)	555
Income (loss) before equity in net income of subsidiaries	(51,425)	182,128	(97,448)	—	33,255
Equity in net income (loss) of subsidiaries	177,103	(151,864)	182,128	(207,367)	—
Income (loss) from continuing operations	125,678	30,264	84,680	(207,367)	33,255
Income from operations of discontinued businesses	—	119,981	—	—	119,981
Provision (benefit) from income taxes	—	27,558	—	—	27,558
Loss from discontinued operations	—	92,423	—	—	92,423
Net income (loss)	$ 125,678	$ 122,687	$ 84,680	$ (207,367)	$ 125,678
Comprehensive income (loss)	$ 152,047	$ 143,936	$ 81,389	$ (225,325)	$ 152,047

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2020

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 53,429	$ 101,960	$ 102,002	$ (203,962)	$ 53,429
Net cash provided by operating activities	23,114	55,353	58,562	—	137,029
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(348)	(42,268)	(6,382)	—	(48,998)
Acquired business, net of cash acquired	—	—	(10,531)	—	(10,531)
Proceeds from sale of assets	—	345	7	—	352
Investment purchases	(130)	—	—	—	(130)
Net cash used in investing activities	(478)	(41,923)	(16,906)	—	(59,307)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of common stock	178,165	—	—	—	178,165
Purchase of shares for treasury	(7,479)	—	—	—	(7,479)
Proceeds from long-term debt	1,234,723	—	5,357	—	1,240,080
Payments of long-term debt	(1,272,688)	(3,421)	(32,806)	—	(1,308,915)
Financing costs	(17,384)	—	—	—	(17,384)
Acquisition costs	—	—	(1,733)	—	(1,733)
Dividends paid	(14,529)	—	—	—	(14,529)
Other, net	260	580	(855)	—	(15)
Net cash provided by (used in) financing activities	101,068	(2,841)	(30,037)	—	68,190
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(2,577)	—	(2,577)
Effect of exchange rate changes on cash and equivalents	—	(121)	2,498	—	2,377
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	123,704	10,468	11,540	—	145,712
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	1,649	25,217	45,511	—	72,377
CASH AND EQUIVALENTS AT END OF PERIOD	$ 125,353	$ 35,685	$ 57,051	$ —	$ 218,089

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2019

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 37,287	$ 94,637	$ 81,089	$ (175,726)	$ 37,287
Net (income) loss from discontinued operations	—	—	8,335	—	8,335
Net cash provided by (used in) operating activities	42,159	41,992	29,807	—	113,958
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(542)	(38,872)	(5,947)	—	(45,361)
Acquired business, net of cash acquired	(9,219)	—	—	—	(9,219)
Proceeds from sale of business	(9,500)	—	—	—	(9,500)
Insurance payments	(10,604)	—	—	—	(10,604)
Proceeds from sale of assets	—	254	26	—	280
Investment purchases	(149)	—	—	—	(149)
Net cash provided by (used in) investing activities	(30,014)	(38,618)	(5,921)	—	(74,553)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of shares for treasury	(1,478)	—	—	—	(1,478)
Proceeds from long-term debt	163,297	—	38,451	—	201,748
Payments of long-term debt	(173,345)	(2,973)	(41,930)	—	(218,248)
Change in short-term borrowings	—	(366)	—	—	(366)
Financing costs	(1,090)	—	—	—	(1,090)
Contingent consideration for acquired businesses	—	—	(1,686)	—	(1,686)
Dividends paid	(13,676)	—	—	—	(13,676)
Other, net	(180)	8,830	(8,830)	—	(180)
Net cash provided by (used in) financing activities	(26,472)	5,491	(13,995)	—	(34,976)
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash used in discontinued operations	—	—	(2,123)	—	(2,123)
Effect of exchange rate changes on cash and equivalents	—	(1)	314	—	313
NET INCREASE IN CASH AND EQUIVALENTS	(14,327)	8,864	8,082	—	2,619
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	15,976	16,353	37,429	—	69,758
CASH AND EQUIVALENTS AT END OF PERIOD	$ 1,649	$ 25,217	$ 45,511	$ —	$ 72,377

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2018

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 125,678	$ 122,687	$ 84,680	$ (207,367)	$ 125,678
Net income (loss) from discontinued operations	—	(92,423)	—	—	(92,423)
Net cash provided by (used in) operating activities	381,417	(405,174)	108,981	(27,032)	58,192
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property, plant and equipment	(544)	(41,531)	(8,063)	—	(50,138)
Acquired business, net of cash acquired	(368,936)	(4,843)	(57,153)	—	(430,932)
Proceeds from sale of business	—	474,727	—	—	474,727
Insurance proceeds	8,254	—	—	—	8,254
Proceeds from sale of property, plant and equipment	—	62	601	—	663
Net cash used in investing activities	(361,226)	428,415	(64,615)	—	2,574
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of shares for treasury	(45,605)	—	—	—	(45,605)
Proceeds from long-term debt	411,623	2,125	29,310	—	443,058
Payments of long-term debt	(269,478)	(5,403)	(26,112)	—	(300,993)
Change in short-term borrowings	—	144	—	—	144
Financing costs	(7,793)	—	—	—	(7,793)
Purchase of ESOP shares	—	—	—	—	—
Dividends paid	(49,797)	—	—	—	(49,797)
Other, net	(46,405)	4,733	14,691	27,032	51
Net cash provided by (used in) financing activities	(7,455)	1,599	17,889	27,032	39,065
CASH FLOWS FROM DISCONTINUED OPERATIONS:					
Net cash provided by (used in) discontinued operations	—	(16,394)	(62,533)	—	(78,927)
Effect of exchange rate changes on cash and equivalents	—	(159)	1,332	—	1,173
NET DECREASE IN CASH AND EQUIVALENTS	12,736	8,287	1,054	—	22,077
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	3,240	8,066	36,375	—	47,681
CASH AND EQUIVALENTS AT END OF PERIOD	$ 15,976	$ 16,353	$ 37,429	$ —	$ 69,758

NOTE 24 – SUBSEQUENT EVENTS

On November 12, 2020, the Board of Directors declared a cash dividend of $0.08 per share, payable on December 17, 2020 to shareholders of record as of the close of business on November 25, 2020. Griffon currently intends to pay dividends each quarter; however, payment of dividends is determined by the Board of Directors, at its discretion, based on various factors, and no assurance can be provided as to the payment of future dividends.

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SCHEDULE II

GRIFFON CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended September 30, 2020, 2019 and 2018
(in thousands)

Description	Balance at Beginning of Year	Recorded to Cost and Expense	Accounts Written Off, net	Other (1)	Balance at End of Year
FOR THE YEAR ENDED SEPTEMBER 30, 2020					
Allowance for Doubtful Accounts					
Bad debts	$ 1,881	$ 2,231	(255)	$ (1)	$ 3,856
Sales returns and allowances	6,000	12,163	(4,261)	—	13,902
	$ 7,881	$ 14,394	$ (4,516)	$ (1)	$ 17,758
Inventory valuation	$ 26,169	$ 10,542	$ (3,412)	$ 325	$ 33,624
Deferred tax valuation allowance	$ 10,823	$ (999)	$ —	$ —	$ 9,824
FOR THE YEAR ENDED SEPTEMBER 30, 2019					
Allowance for Doubtful Accounts					
Bad debts	$ 1,824	$ 464	$ (425)	$ 18	$ 1,881
Sales returns and allowances	4,584	5,790	(4,374)	—	6,000
	$ 6,408	$ 6,254	$ (4,799)	$ 18	$ 7,881
Inventory valuation	$ 26,065	$ 2,774	$ (2,614)	$ (56)	$ 26,169
Deferred tax valuation allowance	$ 8,520	$ 2,303	$ —	$ —	$ 10,823
FOR THE YEAR ENDED SEPTEMBER 30, 2018					
Allowance for Doubtful Accounts					
Bad debts	$ 1,109	$ (40)	$ 11	$ 744	$ 1,824
Sales returns and allowances	4,857	4,088	(4,760)	399	4,584
	$ 5,966	$ 4,048	$ (4,749)	$ 1,143	$ 6,408
Inventory valuation	$ 16,419	$ 1,924	$ (306)	$ 8,028	$ 26,065
Deferred tax valuation allowance	$ 17,466	$ (8,946)	$ —	$ —	$ 8,520

Note (1): For the year ended September 30, 2018, Other primarily consists of opening balances of reserves assumed from acquisitions.

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

Not applicable.

Item 9A. ***Controls and Procedures***

Evaluation and Disclosure Controls and Procedures

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

SEC guidance permits the exclusion of an evaluation of the effectiveness of a registrant's disclosure controls and procedures as they relate to the internal control over financial reporting for an acquired business during the first year following such acquisition. Management's evaluation and conclusion as to the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of September 30, 2020.

Management’s Report on Internal Control over Financial Reporting

Griffon’s management is responsible for establishing and maintaining adequate internal control over financial reporting. Griffon’s internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Griffon’s financial statements for external reporting in accordance with accounting principles generally accepted in the United States of America. Management evaluates the effectiveness of Griffon’s internal control over financial reporting using the criteria set forth by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Management, under the supervision and with the participation of Griffon’s Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of Griffon’s internal control over financial reporting as of September 30, 2020 and concluded that it is effective.

Griffon’s independent registered public accounting firm, Grant Thornton LLP, has audited the effectiveness of Griffon’s internal control over financial reporting as of September 30, 2020, and has expressed an unqualified opinion in their report which appears in this Annual Report on Form 10-K.

Changes in Internal Controls

There were no changes in Griffon’s internal control over financial reporting identified in connection with the evaluation referred to above that occurred during the fourth quarter of the year ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the registrant’s internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Griffon’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Griffon’s internal control over financial reporting includes those policies and procedures that:

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

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

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

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

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

None.

PART III

The information required by **Part III: Item 10,** ***Directors, Executive Officers and Corporate Governance*** (with respect to directors and corporate governance)**; Item 11,** ***Executive Compensation*****; Item 12,** ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters;*** **Item 13,** ***Certain Relationships and Related Transactions, and Director Independence*****; and Item 14,** ***Principal Accountant Fees and Services***, is included in and incorporated by reference to Griffon's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in January, 2021, to be filed with the Securities and Exchange Commission within 120 days following the end of Griffon's fiscal year ended September 30, 2020. Information required by Part III, Item 10, relating to the executive officers of the Registrant, appears under Item 1 of this report.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) (1) **Financial Statements** – Covered by Report of Independent Registered Public Accounting Firm

(A) Consolidated Balance Sheets at September 30, 2020 and 2019

(B) Consolidated Statements of Operations and Comprehensive Income (Loss) for the Fiscal Years Ended September 30, 2020, 2019 and 2018

(C) Consolidated Statements of Cash Flows for the Fiscal Years Ended September 30, 2020, 2019 and 2018

(D) Consolidated Statements of Shareholders' Equity for the Fiscal Years Ended September 30, 2020, 2019 and 2018

(E) Notes to the Consolidated Financial Statements

(2) **Financial Statement Schedule** – Covered by Report of Independent Registered Public Accounting Firm

Schedule II – Valuation and Qualifying Accounts

All other schedules are not required and have been omitted.

(3) The information required by this Section (a)(3) of Item 15 is set forth on the exhibit index that follows the signatures page of this Form 10-K.

(b) Reference is made to the exhibit index that follows the signatures page of this Form 10-K.

Exhibit Index

Exhibit No.	
3.1	Restated Certificate of Incorporation (Exhibit 3.1 of Annual Report on Form 10-K for the year ended September 30, 1995 (Commission File No. 1-06620) and Exhibit 3.1 of Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (Commission File No. 1-06620)).
3.2	Amended and Restated By-laws (Exhibit 3.1 of Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (Commission File No. 1-06620)).
4.1	Specimen Certificate for Shares of Common Stock of Registrant (Exhibit 4.3 of Registration Statement on Form S-3 Registration Statement No. 333-109171 (Commission File No. 1-06620)).
4.2	Indenture, dated as of February 19, 2020, among Griffon Corporation, the Guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as Trustee (Exhibit 4.1 to Current Report on Form 8-K dated February 20, 2020 (Commission File No. 1-06620)).
4.3	Registration Rights Agreement, dated as of June 22, 2020, by and among Griffon Corporation, the Guarantors party thereto and BofA Securities, Inc., as the Representative of the several Initial Purchasers (Exhibit 4.2 to Current Report on Form 8-K dated February 19, 2020 (Commission File No. 1-06620)).
4.4	Registration Rights Agreement, dated as of June 22, 2020, by and among Griffon Corporation, the Guarantors party thereto and BofA Securities, Inc., as the Representative of the several Initial Purchasers (Exhibit 4.1 to Current Report on Form 8-K dated June 22, 2020 (Commission File No. 1-06620)).
4.5	Underwriting Agreement, dated August 13, 2020, by and among Griffon Corporation, Robert W. Baird & Co. Incorporated and Ronald J. Kramer (Exhibit 1.1 to Current Report on Form 8-K dated August 1, 2020 (Commission File No. 1-06620)).
4.6*	Description of Registrant’s Securities.
10.1**	Employment Agreement dated as of July 1, 2001 between the Registrant and Robert Balemian (Exhibit 10.2 of Current Report on Form 8-K file May 18, 2001 (Commission File No. 1-06620)).
10.2	Form of Indemnification Agreement between the Registrant and its officers and directors (Exhibit 10.2 of Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 (Commission File No. 1-06620)).
10.3**	Supplemental Executive Retirement Plan as amended through July 18, 2006 (Exhibit 10.3 to Current Report on Form 8-K filed July 21, 2006 (Commission File No. 1-06620)).
10.4**	Amendment No. 1 to the Amended and Restated Supplemental Executive Retirement Plan dated August 3, 2007 (Exhibit 10.3 to the Current Report on Form 8-K filed August 6, 2007 (Commission File No. 1-06620)).
10.5**	Employment Agreement, dated March 16, 2008, between the Registrant and Ronald J. Kramer. (Exhibit 10.1 to the Current Report on Form 8-K filed March 20, 2008 (Commission File No. 1-06620)).
10.6**	Amendment No.1 to Employment Agreement made as of February 3, 2011 by and between Griffon Corporation and Ronald J. Kramer (Exhibit 99.4 to the Current Report on Form 8-K filed February 9, 2011 (Commission File No. 1-06620)).
10.7**	Amendment No. 2 to Employment Agreement made as of December 12, 2013 by and between Griffon Corporation and Ronald J. Kramer (Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2013. (Commission File No. 1-06620)).
10.8**	Offer Letter, dated April 27, 2010 between the Company and Seth L. Kaplan (Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (Commission File No. 1-06620)).
10.9**	Severance Agreement, dated April 27, 2010 between the Company and Seth L. Kaplan (Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (Commission File No. 1-06620)).
10.10**	Employment Agreement, dated December 7, 2012, by and between Griffon Corporation and Robert F. Mehmel (Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 (Commission File No. 1-06620)).
10.11**	Offer Letter, dated June 1, 2015 between the Company and Brian G. Harris (Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (Commission File No. 1-06620)).
10.12**	Severance Agreement, dated July 30, 2015 between the Company and Brian G. Harris (Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (Commission File No. 1-06620)).
10.13**	Griffon Corporation 2016 Equity Incentive Plan (Exhibit A to the Registrant’s Proxy Statement relating to the 2016 Annual Meeting of Shareholders, filed with the Securities and Exchange Commission on December 17, 2015 (Commission File No. 1-06620)).
10.14**	Amendment No. 1 to the Griffon Corporation 2016 Equity Incentive Plan (Annex B to Griffon's Proxy Statement relating to the 2018 Annual Meeting of Shareholders, filed with the Securities and Exchange Commission on December 18, 2017 (Commission File No. 1-06620)).

Exhibit No.	
10.15**	Amendment No. 2 to the 2016 Equity Incentive Plan (incorporated by reference to Annex B to Griffon's Proxy Statement relating to the 2020 Annual Meeting of Shareholders, filed with the Securities and Exchange Commission on December 17, 2019 (Commission File No. 1-06620)).
10.16**	Griffon Corporation 2016 Performance Bonus Plan (Exhibit B to the Registrant's Proxy Statement relating to the 2016 Annual Meeting of Shareholders, filed with the Securities and Exchange Commission on December 17, 2015 (Commission File No. 1-06620)).
10.17**	Amended and Restated 2016 Performance Bonus Plan, dated as January 29, 2020 (Exhibit 10.2 to Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 (Commission File No. 1-06620)).
10.18**	Griffon Corporation Director Compensation Program, Amended and Restated as of January 30, 2020 (Exhibit 10.4 to Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 (Commission File No. 1-06620)).
10.19	Third Amended and Restated Credit Agreement, dated as of March 22, 2016, among Griffon Corporation, a Delaware 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 (Exhibit 99.1 to Current Report on Form 8-K dated March 22, 2016 (Commission File No. 1-06620)).
10.20	First Amendment, dated as of June 2, 2017, to 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, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents party thereto (Exhibit 99.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File No. 1-06620)).
10.21	Second Amendment, dated as of October 2, 2017, to 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, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents party thereto (Exhibit 99.3 to Current Report on Form 8-K dated October 2, 2017 (Commission File No. 1-06620)).
10.22	Third Amendment, dated as of February 9, 2018, to 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, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents party thereto (Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended September 30, 2019 (Commission File No. 1-06620)).
10.23	Fourth Amendment, dated as of May 31, 2018, to 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, JPMorgan Chase Bank, N.A., as administrative agent, and the other agents party thereto (Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed June 1, 2018 (Commission File No. 1-06620)).
10.24	Fifth Amendment, dated as of February 22, 2019, to 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 parties thereto, Bank of America, N.A., as administrative agent, and the other agents party thereto (Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (Commission File No. 1-06620)).
10.25	Sixth Amendment to Third Amended and Restated Credit Agreement, dated as of January 30, 2020, to that certain 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 parties thereto, Bank of America, N.A., as administrative agent, and the other agents party thereto (Exhibit 10.1 to Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 (Commission File No. 1-06620)).
10.26	Guarantee and Collateral Agreement, dated as of March 18, 2011, by Griffon Corporation and certain of its subsidiaries in favor of JPMorgan Chase Bank, N.A., as administrative agent (Exhibit 99.3 to the Current Report on Form 8-K filed March 18, 2011 (Commission File No. 1-06620)).
10.27	Amendment, dated as of March 28, 2013, to Guarantee and Collateral Agreement, dated as of March 18, 2011, by Griffon Corporation and certain of its subsidiaries in favor of JPMorgan Chase Bank, N.A., as administrative agent (Exhibit 99.2 to the Current Report on Form 8-K filed April 1, 2013 (Commission File No. 1-06620)).
10.28	Second Amendment, dated as of June 2, 2017, to Guarantee and Collateral Agreement, dated as of March 18, 2011 (as amended by the Amendment to Guarantee and Collateral Agreement, dated as of March 28, 2013), by Griffon Corporation and certain of its subsidiaries in favor of JPMorgan Chase Bank, N.A., as administrative agent. (Exhibit 99.2 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File No. 1-06620)).
10.29	Purchase Agreement, dated as of February 4, 2020, by and among Griffon Corporation, the Guarantors named therein and BofA Securities, Inc., as Representative of the several Initial Purchasers named therein (Exhibit 99.1 to Current Report on Form 8-K dated February 5, 2020 (Commission File No. 1-06620)).

Exhibit No.	
10.30	Purchase Agreement, dated as of June 8, 2020, by and among Griffon Corporation, the Guarantors named therein and BofA Securities, Inc., as Representative of the several Initial Purchasers named therein (Exhibit 99.1 to Current Report on Form 8-K dated June 9, 2020 (Commission File No. 1-06620)).
14.1	Code of Business Conduct and Ethics (Exhibit 14.1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (Commission File No. 1-06620)).
21*	Subsidiaries of the Registrant
23*	Consent of Grant Thornton LLP
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act
32*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 18 USC Section 1350.

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 Presentation Document***

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* Filed herewith. All other exhibits are incorporated herein by reference to the exhibit indicated in the parenthetical references.

** Indicates a management contract or compensatory plan or arrangement.

*** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed to be “furnished” and not “filed.”

Item 16. Form 10-K Summary.

None.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Griffon has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 12th day of November 2020.

Griffon Corporation

By: /s/ Ronald J. Kramer

Ronald J. Kramer,

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on November 12, 2020 by the following persons on behalf of the Registrant in the capacities indicated:

/s/ Ronald J. Kramer Ronald J. Kramer	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ Robert F. Mehmel Robert F. Mehmel	President, Chief Operating Officer and Director
/s/ Brian G. Harris Brian G. Harris	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ W. Christopher Durborow W. Christopher Durborow	Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Henry A. Alpert Henry A. Alpert	Director
/s/ Jerome L. Coben Jerome L. Coben	Director
/s/ Thomas J. Brosig Thomas J. Brosig	Director
/s/ Louis J. Grabowsky Louis J. Grabowsky	Director
/s/ Robert G. Harrison Robert G. Harrison	Director
/s/ Lacy M. Johnson Lacy M. Johnson	Director
/s/ Victor Eugene Renuart Victor Eugene Renuart	Director
/s/ James W. Sight James W. Sight	Director
/s/ Kevin F. Sullivan Kevin F. Sullivan	Director
/s/ Samanta Hegedus Stewart Samanta Hegedus Stewart	Director
/s/ Cheryl L. Turnbull Cheryl L. Turnbull	Director
/s/ William H. Waldorf William H. Waldorf	Director

Exhibit 4.6

DESCRIPTION OF OUR SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES
EXCHANGE ACT OF 1934

As of November 12, 2020, Griffon Corporation ("we," "our," "us," or the "Issuer") had the following two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) our common stock, par value $0.25 per share (the "common stock") and (ii) our 5.75% Notes due 2028 (the "notes").

DESCRIPTION OF COMMON STOCK

We have authority to issue 85,000,000 shares of common stock, par value $0.25 per share. As of October 31, 2020, we had approximately 56,124,504 shares of common stock issued and outstanding and 4,852,762 shares of common stock reserved for issuance in connection with stock compensation plans. The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

The following description is only a summary of the material provisions of our restated certificate of incorporation and restated bylaws, does not purport to be complete and is qualified in its entirety by reference to the provisions of such documents. A copy our restated certificate of incorporation and restated bylaws have been filed with the SEC as Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, respectively, and are incorporated by reference into this exhibit.

General

Holders of shares of our common stock are entitled to one vote for each share held of record on all matters on which stockholders are generally entitled to vote. The vote of the holders of a majority of the stock represented at a meeting at which a quorum is present is generally required to take stockholder action, unless a greater vote is required by law. Directors are elected by a plurality of the votes cast at any election and there is no cumulative voting of shares.

Holders of shares of our common stock have no preemptive rights. Although we currently have no preferred stock outstanding, our certificate of incorporation permits us to issue preferred stock with the approval of our board of directors, with such rights, terms and preferences as may be approved by our board. Subject to the applicable laws and the rights of the holders of shares of preferred stock that may be outstanding at any time, holders of shares of common stock are entitled to such dividends as may be declared by our board of directors. The common stock is not entitled to any sinking fund, redemption or conversion provisions. Upon our dissolution, liquidation or winding up, the holders of shares of our common stock are entitled to share ratably in our net assets remaining after the payment of all creditors and liquidation preferences of any preferred stock that may be outstanding. The outstanding shares of common stock are duly authorized, validly issued, fully paid and non-assessable.

Anti-Takeover Considerations

Our restated certificate of incorporation and amended and restated by-laws contain a number of provisions that may have the effect of making it more difficult for a third party to acquire us, or that may discourage a third party from acquiring us.

Classified Board of Directors

Our restated certificate of incorporation and amended and restated by-laws provide that our board of directors shall consist of between twelve and fourteen directors, divided into three classes as nearly equal in size as possible, with staggered three year terms, and provide that:

- directors may be removed only for cause by the affirmative vote of the holders of a majority of the outstanding shares of capital stock entitled to vote; and

- any vacancy on our board of directors may only be filled by vote of a majority of the directors then in office.

Stockholder Action, Special Meeting of Stockholders

Our restated certificate of incorporation eliminates the ability of our stockholders to act by written consent. Our restated certificate of incorporation and amended and restated by-laws further provide that special meetings of our stockholders may be called only at the written request of stockholders owning at least 66 2/3% of the entire voting power of our capital stock.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our amended and restated by-laws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting. However, in the event that the annual meeting is called for a date that is not within 25 days before or after such anniversary date, notice by the stockholder in order to be timely must be received not later than the close of business on the tenth day following the date on which notice of the date of the annual meeting was mailed to stockholders or made public, whichever first occurs. Our amended and restated by-laws also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Business Combinations and Limitations in our Certificate of Incorporation

Our restated certificate of incorporation provides that in the event that it is proposed that we enter into a merger or consolidation with any other corporation and such other corporation or its affiliates singly or in the aggregate own or control, directly or indirectly, 5% or more of the outstanding voting power of our capital stock, or that we sell substantially all of our assets or business to such other corporation, the affirmative vote of the holders of 50% or more of the total voting power of all outstanding shares of our capital stock shall be required for the approval of any such proposal. However, such requirements shall not apply to any such merger, consolidation or sale of assets or business that was approved by resolutions of our board of directors prior to the acquisition of the ownership or control of 5% of our outstanding shares of capital stock by such other corporation or its affiliates, nor shall it apply to any such merger, consolidation or sale of assets or business between us and another corporation, 50% or more of the total voting power of which is owned by us. An "affiliate" is any person (including a corporation, partnership, trust, estate or individual) who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified; "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

Amendments; Supermajority Vote Requirements

Our restated certificate of incorporation requires the affirmative vote of 66 2/3% of our voting stock to amend certain provisions of our certificate of incorporation, including those provisions relating to the amendment of the business combination provisions, classified board of directors, action by written consent and the ability of stockholders to call special meetings.

Delaware Anti-Takeover Law

Section 203 of the Delaware General Corporation Law prohibits certain "business combination" transactions between a Delaware corporation and any "interested stockholder" owning 15% or more of the corporation's outstanding voting stock for a period of three years after the date on which the stockholder became an interested stockholder, unless:

- the board of directors approves, prior to the date, either the proposed business combination or the proposed acquisition of stock that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction in which the stockholder becomes an interested stockholder, the interested stockholder owned at least 85% of those shares of the voting stock of the corporation that are not held by the directors, officers or certain employee stock plans; or

- on or subsequent to the date on which the stockholder became an interested stockholder, the business combination with the interested stockholder is approved by the board of directors and also approved at a stockholder's meeting by the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of the corporation's voting stock other than shares held by the interested stockholder.

Under Delaware law, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder.

Although a corporation may elect not to be governed by Section 203, we have made no such election.

DESCRIPTION OF NOTES

As of November 12, 2020, we had $1,000,000,000 aggregate principal amount of our 5.75% Notes due 2028 outstanding. Our notes were issued pursuant to the terms of an indenture, dated as of February 19, 2020, among us, the Guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as Trustee (the "Indenture").

The following description is only a summary of the material provisions of the Indenture, does not purport to be complete and is qualified in its entirety by reference to the provisions of the Indenture, including the definitions therein of certain terms used below. A copy of the Indenture has been filed with the SEC as Exhibit 4.1 to our Current Report on Form 8-K dated February 19, 2020 and is incorporated by reference into this exhibit.

The Notes are:

- unsecured senior obligations of the Issuer;
- equal in right of payment to all existing and future unsecured Indebtedness and other obligations of the Issuer and the Guarantors that are not, by their terms, expressly subordinated in right of payment to the notes;
- effectively subordinated to all secured existing and future Indebtedness and other obligations of the Issuer and the Guarantors (including the obligations, if any, of the Issuer and the Guarantors under the Senior Credit Facility) to the extent of the value of the collateral securing such Indebtedness and other obligations;
- structurally subordinated to all indebtedness of the Issuer's non-Guarantor subsidiaries; and
- senior in right of payment to any existing and future Subordinated Indebtedness of the Issuer and the Guarantors.

Guarantees

The Guarantors, as primary obligors and not merely as sureties, jointly and severally fully and unconditionally guarantee, on an unsecured senior basis, the performance and full and punctual payment when due, whether at maturity, by acceleration or otherwise, of all obligations of the Issuer under the Indenture and the notes, whether for payment of principal of, premium, if any, or interest or Additional Interest in respect of the notes, expenses, indemnification or otherwise, on the terms set forth in the Indenture by executing the Indenture.

Our Restricted Subsidiaries, AMES, ATT Southern LLC, Clopay Ames Holding Corp., Clopay, ClosetMaid, CornellCookson, Cornell Real Estate Holdings, LLC and Telephonics, have initially Guaranteed the notes. Following the issue date of the old notes, Restricted Subsidiaries of the Issuer are required to become Guarantors to the extent required by the covenant described under "Certain Covenants—Subsidiary Guarantees."

Each of the Guarantees of the notes is a general unsecured obligation of each Guarantor and ranks equally in right of payment with all existing and future unsecured Indebtedness and other obligations of each such entity that are not, by their terms, expressly subordinated in right of payment to the notes, is effectively subordinated to all secured Indebtedness and other obligations of each such entity to the extent of the value of the collateral securing such Indebtedness and other obligations, and is senior in right of payment to all existing and future Subordinated Indebtedness of each such entity. The notes are structurally subordinated to the Indebtedness and other obligations of Subsidiaries of the Issuer that do not Guarantee the notes.

Not all of the Issuer's Subsidiaries currently or will in the future Guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer.

The obligations of each Guarantor under its Guarantee are limited as necessary to prevent the Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law.

Any entity that makes a payment under its Guarantee will be entitled upon payment in full of all guaranteed obligations under the Indenture to a contribution from each other Guarantor in an amount equal to such other Guarantor's pro rata portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

If a Guarantee was rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the Guarantor, and, depending on the amount of such indebtedness, a Guarantor's liability on its Guarantee could be reduced to zero.

A Guarantee by a Guarantor provides by its terms that it shall be automatically and unconditionally released and discharged upon:

(1) (a) any sale, exchange or transfer (by merger or otherwise) of (i) the Capital Stock of such Guarantor, after which the applicable Guarantor is no longer a Restricted Subsidiary, or (ii) all or substantially all the assets of such Guarantor, provided that such sale, exchange or transfer of Capital Stock or assets is made in compliance with the applicable provisions of the Indenture;

(b) if applicable, (i) the release or discharge of the Indebtedness that pursuant to the third paragraph of the covenant described under "Certain Covenants—Subsidiary Guarantees" resulted in the creation of such Guarantee and (ii) in the case of a Guarantor that is a Minority Business Subsidiary, the consummation of a Minority Business Offering of Equity Interests of such Guarantor if at the time of the consummation of such Minority Business Offering, both (x) the Minority Business Disposition Condition has been satisfied and (y) such Guarantor shall have been released from all of its obligations in respect of all Indebtedness of the Issuer and each other Restricted Subsidiary of the Issuer (other than any such Restricted Subsidiary that is also a Subsidiary of such Minority Business Subsidiary);

(c) the proper designation of any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary; or

(d) the Issuer exercising its legal defeasance option as described under "Legal Defeasance and Covenant Defeasance" or the Issuer's obligations under the Indenture being discharged in accordance with the terms of the Indenture; and

(2) the Issuer delivering to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

Ranking

The payment of the principal of, premium, if any, and interest on the notes and the payment of any Guarantee ranks equal in right of payment to all existing and future Indebtedness and other obligations of the Issuer or the relevant Guarantor, as the case may be, that are not, by their terms, expressly subordinated in right of payment to the notes or the Guarantee of such Guarantor.

The notes are effectively subordinated to all of the Issuer's and the Guarantors' existing and future Secured Indebtedness and other secured obligations (including the obligations, if any, of the Issuer and such Guarantor under the Senior Credit Facility) to the extent of the value of the collateral securing such Indebtedness and other secured obligations. As of March 31, 2020, after giving effect to the add-on offering, the Issuer and the Guarantors would have had in the aggregate $1.2 billion of Indebtedness (of which $197.9 million would have been Secured Indebtedness).

Although the Indenture contains limitations on the amount of additional Indebtedness that the Issuer and the Guarantors may incur, under certain circumstances the amount of such Indebtedness could be substantial and, in any case, such Indebtedness may be Secured Indebtedness. See “Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock.”

Holding Company Structure

The Issuer is a holding company for its Subsidiaries, with no material operations of its own and only limited assets. Accordingly, the Issuer is dependent upon the distribution of the earnings of its Subsidiaries, whether in the form of dividends, advances or payments on account of intercompany obligations, including management fees, to service its debt obligations.

Paying Agent and Registrar for the Notes

The Issuer maintains one or more paying agents for the notes. The initial paying agent for the notes is the Trustee.

The Issuer also maintains a registrar with offices. The current registrar for the notes is the Trustee. The registrar maintains a register reflecting ownership of the notes outstanding from time to time and makes payments on and facilitate transfer of notes on behalf of the Issuer.

The Issuer may change the paying agents or the registrars without prior notice to the Holders. The Issuer or any of its Subsidiaries may act as a paying agent or registrar.

Transfer and Exchange

A Holder may transfer or exchange notes in accordance with the Indenture. The registrar and the Trustee may require a Holder to furnish appropriate endorsements and transfer documents in connection with a transfer of notes. Holders will be required to pay all taxes due on transfer. The Issuer will not be required to transfer or exchange any note selected for redemption or tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer. Also, the Issuer will not be required to transfer or exchange any note for a period of 15 days before the mailing of a notice of redemption of notes to be redeemed. The registered Holder of a note will be treated as the owner of the notes for all purposes.

Principal, Maturity and Interest

Subject to compliance with the covenant described under “Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock,” the Issuer may issue additional notes from time to time after the offering of the old notes under the Indenture (“Additional Notes”). All notes and any other Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context requires otherwise, references to “notes” for all purposes of the Indenture and this “Description of Notes” include any Additional Notes that are actually issued. The notes were issued in denominations of $2,000 and in integral multiples of $1,000 in excess of $2,000.

Interest on the notes accrue at the rate of 5.75% per annum and are payable semiannually in arrears on each March 1 and September 1, commencing on September 1, 2020, to the Holders of record on the immediately preceding February 15 and August 15. Interest on the notes accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest on the notes is computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, premium, if any, and interest on the notes is payable at the office or agency of the Issuer maintained for such purpose, at the option of the Issuer, payment of interest may be made by check mailed to the Holders of the notes at their respective addresses set forth in the register of Holders; provided that if any Holder has given wire transfer instructions to the Issuer or the paying agent or registrar at least 15 days prior to the payment date, all payments of principal, premium, if any, and interest with respect to the notes represented by one or more global notes registered in the name of or held by DTC or its nominee will be made by wire transfer of immediately available funds to the accounts specified by the Holder or Holders thereof. Until otherwise designated by the Issuer, the Issuer's office or agency in New York is the office of the Trustee maintained for such purpose.

Additional Interest

Additional Interest may accrue on the notes in certain circumstances pursuant to the Registration Rights Agreement. All references in the Indenture, in any context, to any interest or other amount payable on or with respect to the notes shall be deemed to include any Additional Interest pursuant to the Registration Rights Agreement.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the notes. However, under certain circumstances, the Issuer may be required to offer to purchase notes as described under the caption "Repurchase at the Option of Holders." The Issuer may at any time and from time to time purchase notes in the open market or otherwise.

Optional Redemption

At any time prior to March 1, 2023, the Issuer may redeem all or a part of the notes, upon prior notice at a redemption price equal to 100% of the principal amount of the notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to the date of redemption (the "Redemption Date"), subject to the rights of Holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

On and after March 1, 2023, the Issuer may redeem the notes, in whole or in part, upon prior notice at the redemption prices (expressed as percentages of principal amount of the notes to be redeemed) set forth below, plus accrued and unpaid interest and Additional Interest, if any, thereon to the applicable Redemption Date, subject to the right of Holders of notes of record on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the twelve-month period beginning on March 1 of each of the years indicated below:

Year	Percentage
2023	102.875 %
2024	101.917 %
2025	100.958 %
2026 and thereafter	100.000 %

In addition, until March 1, 2023, the Issuer may, at its option, on one or more occasions, redeem up to 40% of the aggregate principal amount of notes at a redemption price equal to 105.750% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon and Additional Interest, if any, to the applicable Redemption Date, subject to the right of Holders of notes of record on the relevant record date to receive interest due on the relevant interest payment date, with the net cash proceeds of one or more Equity Offerings; *provided* that at least 60% of the sum of the original aggregate principal amount of notes issued under the Indenture and the original principal amount of any Additional Notes issued under the Indenture after the Issue Date remains outstanding immediately after the occurrence of each such redemption; *provided further* that each such redemption occurs within 90 days of the date of closing of each such Equity Offering.

Any redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, which shall be set forth in the related notice of redemption, including, but not limited to, completion of an Equity Offering, other offering or other transaction or event. In addition, if such redemption or purchase is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the Redemption Date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the Redemption Date, or by the Redemption Date as so delayed. The Issuer will provide prompt written notice to the Trustee prior to the close of business two Business Days prior to the redemption date rescinding such redemption and notice of redemption shall be rescinded and of no force or effect. Upon receipt of such notice from the Issuer rescinding such redemption, the Trustee will promptly send a copy of such notice to the holders of such series of notes to be redeemed in the same manner in which the notice of redemption was given.

Selection and Notice

If the Issuer is redeeming less than all of the notes issued by it at any time, the Trustee will select the notes to be redeemed (a) if the notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the notes are listed, (b) on a pro rata basis to the extent practicable (or, in the case of notes in global form, the Trustee will select notes for redemption based on DTC's method that most nearly approximates a pro rata selection or by such other method that the Trustee shall deem fair and appropriate) or

(c) by lot or such other similar method in accordance with the procedures of DTC or through book-entry transfer.

Notices of purchase or redemption shall be mailed by first-class mail, postage prepaid, at least 30 days but not more than 60 days before the purchase or redemption date to each Holder of notes at such Holder's registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the Indenture. If any note is to be purchased or redeemed in part only, any notice of purchase or redemption that relates to such note shall state the portion of the principal amount thereof that has been or is to be purchased or redeemed.

The Issuer will issue a new note in a principal amount equal to the unredeemed portion of the original note in the name of the Holder upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption. Redemption amounts shall only be paid upon presentation and surrender of any such notes to be redeemed. Payment of the redemption price and performance of the Issuer's obligations in connection with any redemption may be performed by another Person.

Repurchase at the Option of Holders

Change of Control

The Indenture provides that if a Change of Control occurs, unless the Issuer has previously or concurrently mailed a redemption notice with respect to all the outstanding notes as described under "Optional Redemption," the Issuer will make an offer to purchase all of the notes pursuant to the offer described below (the "Change of Control Offer") at a price in cash (the "Change of Control Payment") equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, subject to the right of Holders of the notes of record on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will send notice of such Change of Control Offer by first-class mail, with a copy to the Trustee, to each Holder of notes at the address of such Holder appearing in the security register, with the following information:

1. that a Change of Control Offer is being made pursuant to the covenant entitled "Change of Control," and that all notes properly tendered pursuant to such Change of Control Offer will be accepted for payment by the Issuer;

2. the purchase price and the purchase date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed (the "Change of Control Payment Date");

3. that any note not properly tendered will remain outstanding and continue to accrue interest;

4. that unless the Issuer defaults in the payment of the Change of Control Payment, all notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

5. that Holders electing to have any notes purchased pursuant to a Change of Control Offer will be required to surrender such notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such notes completed, to the paying agent specified in the notice at the address specified in the notice prior to the close of business on the Business Day preceding the Change of Control Payment Date;

6. that Holders will be entitled to withdraw their tendered notes and their election to require the Issuer to purchase such notes, provided that the paying agent receives, not later than the close of business on the second Business Day prior to the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder of the notes, the principal amount of notes tendered for purchase and a statement that such Holder is withdrawing its tendered notes and its election to have such notes purchased;

7. that if the Issuer is redeeming less than all of the notes, the Holders of the remaining notes will be issued new notes and such new notes will be equal in principal amount to the

   unpurchased portion of the notes surrendered. The unpurchased portion of the notes must be equal to $2,000 or an integral multiple of $1,000 in excess thereof;

8. if such notice is mailed prior to the occurrence of a Change of Control, stating the Change of Control Offer is conditional on the occurrence of such Change of Control; and

9. the other instructions, as determined by the Issuer, consistent with the covenant described hereunder, that a Holder must follow in order to have its notes repurchased.

The Issuer will comply with the applicable requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of notes pursuant to a Change of Control Offer. To the extent that the applicable provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

On the Change of Control Payment Date, the Issuer will, to the extent permitted by law,

1. accept for payment all notes issued by it or portions thereof properly tendered pursuant to the Change of Control Offer,

2. deposit with the paying agent an amount equal to the aggregate Change of Control Payment in respect of all notes or portions thereof so tendered, and

3. deliver, or cause to be delivered, to the Trustee for cancellation the notes so accepted together with an Officer's Certificate to the Trustee stating that such notes or portions thereof have been tendered to and purchased by the Issuer.

The Senior Credit Facility currently limits, and future credit agreements or other agreements relating to Indebtedness to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any notes as a result of a Change of Control. In the event a Change of Control occurs at a time when the Issuer is prohibited from purchasing the notes, the Issuer could seek the consent of its lenders to permit the purchase of the notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, the Issuer will remain prohibited from purchasing the notes. In such case, the Issuer's failure to purchase tendered notes would constitute an Event of Default under the Indenture after any required giving of notice and lapse of time as described under "—Events of Default and Remedies."

The Senior Credit Facility provides that certain change of control events with respect to the Issuer would constitute a default thereunder (including a Change of Control under the Indenture). If we experience a change of control that triggers a default under our Senior Credit Facility, we could seek a waiver of such default or seek to refinance our Senior Credit Facility. In the event we do not obtain such a waiver or refinance the Senior Credit Facility, such default could result in amounts outstanding thereunder being declared due and payable.

Our ability to pay cash to the Holders of notes following the occurrence of a Change of Control may be limited by our then-existing financial resources. Therefore, sufficient funds may not be available when necessary to make any required repurchases.

The Change of Control purchase feature of the notes may in certain circumstances make more difficult or discourage a sale or takeover of us and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the initial purchasers of the original notes and us. We have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under “Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock” and “Certain Covenants—Liens.”

Such restrictions in the Indenture can be waived only with the consent of the Holders of a majority in principal amount of the notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture does not contain any covenants or provisions that may afford Holders of the notes protection in the event of a highly leveraged transaction.

We will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The definition of “Change of Control” includes a disposition of all or substantially all of the assets of the Issuer to any Person. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Issuer. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of notes may require the Issuer to make an offer to repurchase the notes as described above. As noted in the definition of “Change of Control”, so long as at the time of any Minority Business Disposition or any Minority Business Offering, the Minority Business Disposition Condition is met, the Minority Business Assets shall not at any time be deemed to constitute “all or substantially all” of the assets of the Issuer and its Restricted Subsidiaries. For the avoidance of doubt, no inference shall be drawn that assets of a Non-Minority Business is deemed to constitute “all or substantially all” of the assets of the Issuer and its Restricted Subsidiaries nor shall any inference be drawn that assets of a Minority Business is deemed to constitute “all or substantially all” of the assets of the Issuer and its Restricted Subsidiaries.

The provisions under the Indenture relating to the Issuer’s obligations to make an offer to repurchase the notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the notes.

Asset Sales

The Indenture provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, cause, make or suffer to exist an Asset Sale, unless:

1. the Issuer or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of; and

2. except in the case of a Permitted Asset Swap, at least 75% of the consideration therefor received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of (a) cash or Cash Equivalents, (b) Replacement Assets or (c) any combination of the consideration specified in clauses (a) and (b); *provided* that the amount of:

   (a) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the footnotes thereto) of the Issuer or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the notes, that are assumed by the transferee of any such assets and for which the Issuer and all of its Restricted Subsidiaries have been validly released by all creditors in writing;

   (b) any securities, notes or other obligations received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received) within 180 days following the closing of such Asset Sale;

   (c) any Designated Non-cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate fair market value, taken together

   with all other Designated Non-cash Consideration received since the date of the Indenture pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of (i) $100.0 million (with the fair market value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value) and (ii) 5.0% of Total Assets at the time of the receipt of such Designated Non-cash Consideration; and

   (d) any securities publicly-traded on a national securities exchange; shall be deemed to be cash or Cash Equivalents for purposes of this provision and for no other purpose.

Within 450 days after the receipt of any Net Proceeds of any Asset Sale, the Issuer or such Restricted Subsidiary, at its option, may apply the Net Proceeds from such Asset Sale,

1. to permanently reduce:

   (a) Secured Indebtedness under one or more Credit Facilities;

   (b) Obligations under Pari Passu Indebtedness (and to correspondingly reduce commitments with respect thereto); *provided* that the Issuer shall equally and ratably (based on the aggregate principal amounts (or accreted value, as applicable)) reduce Obligations under the notes as provided under "Optional Redemption," through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all Holders to purchase their notes at 100% of the principal amount thereof, plus the amount of accrued but unpaid interest, if any, on the amount of notes that would otherwise be prepaid; or

   (c) Indebtedness of a Restricted Subsidiary that is not a Guarantor, other than Indebtedness owed to the Issuer or another Restricted Subsidiary.

2. to make an Investment in or expenditure (i) for Replacement Assets or (ii) for other capital expenditure used or useful in a Similar Business or (iii) to enter into a binding commitment to make such an investment or expenditure; *provided* that in the case of a commitment to make such an Investment or expenditure, such Investment or expenditure shall have been made within 365 days of the first anniversary of the receipt of any Net Proceeds from such Asset Sale.

3. to make an Asset Sale Offer (as defined below); or

4. any combination of the foregoing.

Any Net Proceeds from the Asset Sale that are not invested or applied as provided and within the time period set forth in the first sentence of the preceding paragraph will be deemed to constitute "Excess Proceeds." When the aggregate amount of *Excess Proceeds* exceeds $150.0 million, the Issuer shall make an offer to all Holders and, if required by the terms of any Pari Passu Indebtedness to the holders of such Pari Passu Indebtedness (an "Asset Sale Offer"), to purchase the maximum aggregate principal amount (or accreted value, as applicable) of the notes and such Pari Passu Indebtedness that is a minimum amount of $2,000 and in an integral multiple of $1,000 in excess thereof that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof (or accreted value, as applicable), plus accrued and unpaid interest and Additional Interest, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. The Issuer will commence an Asset Sale Offer with respect to Excess Proceeds within 30 calendar days after the date that Excess Proceeds exceed $150.0 million by mailing the notice required pursuant to the terms of the Indenture, with a copy to the Trustee.

To the extent that the aggregate principal amount (or accreted value, as applicable) of notes and such Pari Passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Indenture, and they will no longer constitute Excess Proceeds. If the aggregate principal amount (or accreted value, as applicable) of notes or the Pari Passu Indebtedness surrendered by such holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the notes and such Pari Passu Indebtedness to be purchased on a *pro rata* basis (or, in the case of notes in global form, the Trustee will select notes for redemption based on DTC’s method that most nearly approximates a pro rata selection or by such other method that the Trustee shall deem fair and appropriate) based on the accreted value or principal amount of the notes or such Pari Passu Indebtedness tendered. Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

Pending the final application of any Net Proceeds pursuant to this covenant, the holder of such Net Proceeds may apply such Net Proceeds temporarily to reduce Indebtedness outstanding under a revolving credit facility or otherwise invest such Net Proceeds in any manner not prohibited by the Indenture.

The Issuer will comply with the applicable requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of the notes pursuant to an Asset Sale Offer. To the extent that the applicable provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The Senior Credit Facility limits, and future credit agreements or other agreements relating to Indebtedness to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any notes pursuant to this Asset Sales covenant. In the event the Issuer is prohibited from purchasing the notes, the Issuer could seek the consent of its lenders to the purchase of the notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, it will remain prohibited from purchasing the notes. In such case, the Issuer’s failure to purchase tendered notes would constitute an Event of Default under the Indenture after any required giving of notice and lapse of time as described under “Events of Default and Remedies.”

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(I) declare or pay any dividend or make any payment or distribution on account of the Issuer’s or any of its Restricted Subsidiaries’ Equity Interests, including any dividend or distribution payable in connection with any merger or consolidation other than:

(a) dividends, payments or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) of the Issuer; or

(b) dividends, payments or distributions by a Restricted Subsidiary so long as, in the case of any dividend, payment or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary that is not a Wholly-Owned Subsidiary, the Issuer or a Restricted Subsidiary receives at least its *pro rata* share of such dividend payment or distribution in accordance with its Equity Interests in such class or series of securities;

(II) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect parent of the Issuer, including in connection with any merger or consolidation;

(III) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value or give any irrevocable notice of redemption with respect thereto, in each case, prior to any scheduled repayment, sinking fund payment or maturity, any Subordinated Indebtedness, other than:

(a) Indebtedness permitted under clauses (7) and (8) of the second paragraph of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(b) the purchase, repurchase or other acquisition of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase or acquisition; or

(c) the giving of an irrevocable notice of redemption with respect to the transactions described in clauses (2) and (3) of the next paragraph; or

(IV) make any Restricted Investment (all such payments and other actions set forth in clauses (I) through (IV) above being collectively referred to as *"Restricted Payments"*), unless, at the time of such Restricted Payment:

1. no Default shall have occurred and be continuing or would occur as a consequence thereof;

2. immediately after giving effect to such transaction on a *pro forma* basis, the Issuer could incur $1.00 of additional Indebtedness under the provisions of the first paragraph of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; and

3. such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the Issue Date (including Restricted Payments permitted by clauses (1), (10) and (13) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum of (without duplication):

(a) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) beginning January 1, 2011 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit; *plus*

(b) 100% of the aggregate net cash proceeds and the fair market value of marketable securities or other property received by the Issuer since immediately after the Issue Date (other than net cash proceeds to the extent such net cash proceeds have been used to incur Indebtedness or Disqualified Stock pursuant to clause (12)(a) of the second paragraph of "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock") from the sale of:

(i) Equity Interests of the Issuer, including Treasury Capital Stock (as defined below), but excluding cash proceeds and the fair market value of marketable securities or other property received from the sale of Equity Interests to members of management, directors or consultants of the Issuer, any direct or indirect parent company of the Issuer and the Issuer's Subsidiaries after the Issue Date to the extent such amounts have been applied to Restricted Payments made in accordance with clause (4) of the next succeeding paragraph; or

(ii) debt securities of the Issuer that have been converted into or exchanged for such Equity Interests of the Issuer; *provided, however*, that this clause (b) shall not include the proceeds from (X) Equity Interests or convertible debt securities of the Issuer sold to a Restricted Subsidiary, as the case may be, or (Y) Disqualified Stock or debt securities that have been converted into Disqualified Stock; *plus*

(c) 100% of the aggregate amount of cash and the fair market value of marketable securities or other property contributed to the capital of the Issuer following the Issue Date (other than net cash proceeds to the extent such net cash proceeds (i) have been used to incur Indebtedness or Disqualified Stock pursuant to clause (12)(a) of the second paragraph of "—Limitation on Incurrence of Indebtedness and Issuance of

Disqualified Stock and Preferred Stock" or (ii) are contributed by a Restricted Subsidiary); *plus*

(d) 100% of the aggregate amount received in cash and the fair market value of marketable securities or other property received by means of:

(i) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of Restricted Investments made by the Issuer or its Restricted Subsidiaries or interests payments made in respect of any repurchases and redemptions of such Restricted Investments from the Issuer or its Restricted Subsidiaries, repayments of or interest payments made in respect of any loans or advances, and releases of guarantees, which constitute Restricted Investments by the Issuer or its Restricted Subsidiaries or any dividends or other distributions made or payments made with respect to any Restricted Investment by the Issuer or any Restricted Subsidiary, in each case after the Issue Date; or

(ii) the sale (other than to the Issuer or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary (other than in each case to the extent the Investment in such Unrestricted Subsidiary constituted a Permitted Investment) or a dividend from an Unrestricted Subsidiary after the Issue Date; *plus*

(e) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary after the Issue Date, the merger or consolidation of an Unrestricted Subsidiary into the Issuer or a Restricted Subsidiary or the transfer of assets of any Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary, the fair market value of the Investment in such Unrestricted Subsidiary at the time of the redesignation of such Unrestricted Subsidiary as a Restricted Subsidiary, other than an Unrestricted Subsidiary to the extent the Investment in such Unrestricted Subsidiary constituted a Permitted Investment.

The foregoing provisions do not prohibit:

1. the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration thereof or the giving of the irrevocable redemption notice, as applicable, if at the date of declaration or notice such payment would have complied with the provisions of the Indenture;

2. the redemption, repurchase, retirement, defeasance or other acquisition of any Equity Interests of the Issuer or any direct or indirect parent of the Issuer ("Treasury Capital Stock") or Subordinated Indebtedness of the Issuer or a Guarantor in exchange for, or out of the proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary) of, Equity Interests of the Issuer or any direct or indirect parent of the Issuer to the extent contributed to the Issuer (in each case, other than any Disqualified Stock); *provided* that the amount of any proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from clauses (b) and (c) of the preceding paragraph;

3. the redemption, repurchase, retirement, defeasance or other acquisition of Subordinated Indebtedness of the Issuer or a Guarantor made in exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of the Issuer or a Guarantor, as the case may be, which is incurred in compliance with "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" so long as:

   (a) the principal amount (or accreted value, if applicable) of such new Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus any accrued and unpaid interest on, the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired for value, plus the amount of any reasonable premium paid (including reasonable tender premiums) and any reasonable fees and expenses incurred in connection with the issuance of such new Indebtedness;

   (b) such new Indebtedness is subordinated to the notes or the applicable Guarantee at least to the same extent as such Subordinated Indebtedness so purchased, exchanged, redeemed, repurchased, acquired or retired for value;

(c) such new Indebtedness has a final scheduled maturity date equal to or later than the final scheduled maturity date of the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired; and

(d) such new Indebtedness has a Weighted Average Life to Maturity equal to or greater than the remaining Weighted Average Life to Maturity of the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired;

4. a Restricted Payment to pay for the repurchase, retirement or other acquisition of Equity Interests of the Issuer held by any future, present or former employee, director or consultant of the Issuer, any of its Subsidiaries or any of its direct or indirect parent companies pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement; p*rovided, however,* that the aggregate Restricted Payments made under this clause (4) do not exceed in any calendar year $10.0 million (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum (without giving effect to the following proviso) of $20.0 million in any calendar year); *provided further* that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds from the sale of Equity Interests (other than Disqualified Stock) of the Issuer to members of management, directors or consultants of the Issuer or any of its Subsidiaries that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of clause (3) of the preceding paragraph or clause (8) of the definition of "Permitted Investments"; *plus*

(b) the cash proceeds of key man life insurance policies received by the Issuer or its Restricted Subsidiaries after the Issue Date; *less*

(c) the amount of any Restricted Payments made in any prior calendar year pursuant to clauses (a) and (b) of this clause (4);

5. the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries issued in accordance with the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" to the extent such dividends are included in the definition of "Fixed Charges";

6. repurchases of Equity Interests deemed to occur upon exercise or vesting of stock options, warrants or similar rights if such Equity Interests represent all or a portion of the exercise price of such options or warrants or are surrendered in connection with satisfying any federal or state income tax obligation incurred in connection with such exercise or vesting;

7. the repurchase, redemption or other acquisition for value of Equity Interests of the Issuer representing fractional shares of such Equity Interests in connection with a stock dividend, split or combination or any merger, consolidation, amalgamation or other combination involving the Issuer;

8. the redemption, repurchase, retirement or other acquisition, in each case for nominal value per right, of any rights granted to all holders of Equity Interests of the Issuer pursuant to any stockholders' rights plan adopted for the purpose of protecting stockholders from unfair takeover tactics, *provided* that any such redemption, repurchase, retirement or other acquisition of such rights shall not be for the purpose of evading the limitations described under this covenant;

9. the declaration and payment of dividends to holders of Equity Interests of the Issuer or the acquisition, in open market purchases or otherwise, of Equity Interests of the Issuer in an aggregate amount not to exceed $50.0 million in any fiscal year, *provided* that up to

   $25.0 million of such amount that is not utilized by the Issuer to pay dividends or acquire Equity Interests of the Issuer in any calendar year may be carried forward to the immediately succeeding year;

10. payments or distributions to dissenting stockholders pursuant to applicable law in connection with a merger, consolidation or transfer of all or substantially all of the Issuer's property or assets that complies with the Indenture, *provided* that as a result of such merger, consolidation or transfer of all or substantially all of the Issuer's property or assets, the Issuer shall have made a Change of Control Offer or Asset Sale Offer and all notes tendered by Holders in connection therewith shall have been repurchased, redeemed or acquired for value;

11. other Restricted Payments in an aggregate amount taken together with all other Restricted Payments made pursuant to this clause (11) not to exceed the greater of (i) $100.0 million and (ii) 5.0% of Total Assets;

12. [reserved];

13. the repurchase, redemption retirement, defeasance or other acquisition of any Subordinated Indebtedness required in accordance with provisions applicable thereto similar to those described under the captions "Repurchase at the Option of Holders—Change of Control" and "Repurchase at the Option of Holders—Asset Sales"; *provided* that all notes tendered by Holders in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;

14. direct or indirect loans or advances to the Issuer's Employee Stock Ownership Plan or guarantee obligations incurred in connection with its purchase or other acquisition of Equity Interests of the Issuer in an aggregate amount not to exceed $10.0 million in any fiscal year or $50.0 million in the aggregate; and

15. other Restricted Payments if at the time of and after giving pro forma effect to each such Restricted Payment (including, without limitation, the incurrence of any Indebtedness to finance such Restricted Payment) (x) the Total Leverage Ratio shall not exceed 3.50 to 1.00 and (y) the Issuer could incur at least $1.00 of additional Indebtedness under the provisions of the first paragraph of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; *provided*, however, that at the time of, and after giving effect to, any Restricted Payment permitted under clauses (9), (11), (14) and (15), no Default shall have occurred and be continuing or would occur as a consequence thereof.

The Issuer will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the last sentence of the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of "Investment." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, whether pursuant to the first paragraph of this covenant or under clause (11) or (15) of the second paragraph of this covenant, or pursuant to the definition of "Permitted Investments," and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries are not subject to any of the restrictive covenants set forth in the Indenture.

If the Issuer or any Restricted Subsidiary makes a Restricted Payment which, at the time of the making of such Restricted Payment, in the good faith determination of the Issuer or such Restricted Subsidiary, would be permitted under the requirements of the Indenture, such Restricted Payment shall be deemed to have been made in compliance with the Indenture notwithstanding any subsequent adjustment made in good faith to the Issuer's financial statements affecting Consolidated Net Income.

In the event that a Restricted Payment meets the criteria of more than one of the types of Restricted Payments described in the above clauses, including, without limitation, the first paragraph of this "Limitation on Restricted Payments" covenant, the Issuer, in its sole discretion, may order and classify, and from time to time may reclassify, such Restricted Payment if it would have been permitted at the time such Restricted Payment was made and at the time of such reclassification.

As of March 31, 2020, pursuant to the formula set forth in clause (3) of the first paragraph of this covenant, the Issuer would have been able to make approximately $137.0 million in Restricted Payments.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise (collectively, "incur" and collectively, an "incurrence") with respect to any Indebtedness (including Acquired Indebtedness) and the Issuer will not issue any shares of Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of Disqualified Stock or Preferred Stock; provided, however, that the Issuer may incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock, and any Guarantor may incur Indebtedness (including Acquired Indebtedness), issue shares of Disqualified Stock and issue shares of Preferred Stock, if the Fixed Charge Coverage Ratio on a consolidated basis for the Issuer and its Restricted Subsidiaries' most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified

Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

The foregoing limitations will not apply to:

1. the incurrence of Indebtedness under Credit Facilities by the Issuer or any of its Restricted Subsidiaries and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof), up to an aggregate principal amount of $500.0 million outstanding at any one time, less (i) any permanent payments actually made by the borrower thereunder following the Issue Date in respect of Indebtedness thereunder with Net Proceeds from an Asset Sale and (ii) the amount of Indebtedness then outstanding under clause (20);

2. the incurrence by the Issuer and any Guarantor of Indebtedness represented by notes and any related Guarantee issued in respect thereof;

3. Indebtedness of the Issuer and its Restricted Subsidiaries in existence on the Issue Date (other than Indebtedness described in clauses (1) and (2) above);

4. Indebtedness (including Capitalized Lease Obligations), Disqualified Stock and Preferred Stock incurred by the Issuer or any of its Restricted Subsidiaries to finance the purchase, lease, construction, installation, repair or improvement of property (real or personal) or equipment (other than software) (including any reasonably related fees or expenses incurred in connection with such purchase, lease, construction, installation, repair or improvement), whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, in an aggregate principal amount, including all Indebtedness incurred or Disqualified Stock and Preferred Stock issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred or Disqualified Stock and Preferred Stock issued pursuant to this clause (4), not to exceed at any time outstanding the greater of (x) $100.0 million and (y) 5.0% of Total Assets;

5. Indebtedness incurred by the Issuer or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of

   business, including letters of credit in respect of lease obligations, workers' compensation claims, unemployment insurance and other types of social security or property, casualty or liability insurance or self-insurance, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims; *provided, however*, that, upon the drawing of such letters of credit, such obligations are reimbursed within 30 days following such drawing;

6. Indebtedness arising from agreements of the Issuer or its Restricted Subsidiaries providing for indemnification, adjustment of purchase price or similar obligations, or guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Issuer or any Restricted Subsidiary pursuant to such agreements, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; *provided, however*, that the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds including non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

7. Indebtedness of the Issuer to a Restricted Subsidiary; *provided* that any such Indebtedness owing to a Restricted Subsidiary that is not a Guarantor is expressly subordinated in right of payment to the notes; *provided further* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such other Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an incurrence of such Indebtedness not permitted by this clause (7);

8. Indebtedness of a Restricted Subsidiary to the Issuer or another Restricted Subsidiary; *provided* that if a Guarantor incurs such Indebtedness to a Restricted Subsidiary that is not a Guarantor, such Indebtedness is expressly subordinated in right of payment to the Guarantee of the notes of such Guarantor; *provided further* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such other Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an incurrence of such Indebtedness not permitted by this clause (8);

9. shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event which results in any such other Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or another of its Restricted Subsidiaries) shall be deemed in each case to be an issuance of such shares of Preferred Stock not permitted by this clause (9);

10. Hedging Obligations (excluding Hedging Obligations entered into for speculative purposes) for the purpose of limiting interest rate risk, exchange rate risk or commodity pricing risk;

11. obligations in respect of performance, bid, appeal and surety bonds and completion guarantees provided by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

12. (a) Indebtedness or Disqualified Stock of the Issuer or any Restricted Subsidiary in an aggregate principal amount or liquidation preference up to 100% of the net cash proceeds received by the Issuer since immediately after the Issue Date from the issue or sale of Equity Interests of the Issuer or cash contributed to the capital of the Issuer (in each case, other than proceeds of Disqualified Stock or sales of Equity Interests to the Issuer or any of its Subsidiaries) as determined in accordance with clauses (3)(b) and (3)(c) of the first

    paragraph of "—Limitation on Restricted Payments" to the extent such net cash proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments or to make other Investments, payments or exchanges pursuant to the second paragraph of "—Limitation on Restricted Payments" or to make Permitted Investments (other than Permitted Investments specified in clauses (1), (2) and (3) of the definition thereof) and (b) Indebtedness or Disqualified Stock of the Issuer and Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary not otherwise permitted hereunder in an aggregate principal amount or liquidation preference which, when aggregated with the principal amount and liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and incurred pursuant to this clause (12)(b), does not at any one time outstanding exceed $125.0 million; *provided* that the principal amount of Indebtedness incurred by any Restricted Subsidiary that is not a Guarantor pursuant to this clause (12)(b) does not exceed $50.0 million at any one time outstanding;

13. the incurrence by the Issuer or any Restricted Subsidiary of the Issuer of Indebtedness, Disqualified Stock or Preferred Stock which serves to refund, replace or refinance any Indebtedness, Disqualified Stock or Preferred Stock incurred as permitted under the first paragraph of this covenant and clauses (2) and (3) above, clause (12)(a), this clause (13) and clauses (14) and (15) below or any Indebtedness, Disqualified Stock or Preferred Stock issued, to so refund, replace or refinance such Indebtedness, Disqualified Stock or Preferred Stock including additional Indebtedness, Disqualified Stock or Preferred Stock incurred to pay premiums (including reasonable tender premiums), defeasance costs and fees in connection therewith (the "Refinancing Indebtedness") prior to its respective maturity; *provided, however*, that such Refinancing Indebtedness:

    (a) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred which is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded or refinanced,

(b) to the extent such Refinancing Indebtedness refinances (i) Indebtedness subordinated or *pari passu* to the notes or any Guarantee thereof, such Refinancing Indebtedness is subordinated or pari passu to the notes or the Guarantee at least to the same extent as the Indebtedness being refinanced or refunded, or (ii) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness must be Disqualified Stock or Preferred Stock, respectively, and

(c) shall not include:

(i) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of the Issuer that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer;

(ii) Indebtedness, Disqualified Stock or Preferred Stock of a Subsidiary of the Issuer, that is not a Guarantor that refinances Indebtedness, Disqualified Stock or Preferred Stock of a Guarantor; or

(iii) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;

14. the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness to the extent the net cash proceeds of such Indebtedness are promptly deposited to defease or to satisfy and discharge the notes as described under the captions “Legal Defeasance and Covenant Defeasance” and “Satisfaction and Discharge”;

15. Indebtedness, Disqualified Stock or Preferred Stock of (x) the Issuer or a Guarantor incurred to finance an acquisition or (y) Persons that are acquired by the Issuer or any Guarantor or merged into the Issuer or a Guarantor in accordance with the terms of the Indenture; *provided* that after giving pro forma effect to such acquisition or merger, either
    (a) the Issuer would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of this covenant, or
    (b) the Fixed Charge Coverage Ratio of the Issuer and the Restricted Subsidiaries is greater than immediately prior to such acquisition or merger;

16. Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within five Business Days of its incurrence;

17. (a) any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness or other obligations of any Restricted Subsidiary so long as the incurrence of such Indebtedness incurred by such Restricted Subsidiary is permitted under the terms of the Indenture; or (b) any guarantee by a Restricted Subsidiary of Indebtedness of the Issuer; *provided* that, in the case of clauses (a) and (b), such guarantee is incurred in accordance with the covenant described below under “—Subsidiary Guarantees”;

18. Indebtedness of Foreign Subsidiaries of the Issuer not to exceed at any one time outstanding, together with any other Indebtedness incurred under this clause (18), $200.0 million;

19. Indebtedness of the Issuer or any of its Restricted Subsidiaries consisting of (i) the financing of insurance premiums or (ii) take-or-pay obligations contained in supply arrangements in each case, incurred in the ordinary course of business;

20. Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Issuer or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings);

21. customer deposits and advance payments received from customers for goods and services sold in the ordinary course of business;

22. Indebtedness owed on a short-term basis of not longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;

23. Indebtedness incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management purposes, in each case incurred or undertaken in the ordinary course of business on arm's-length commercial terms; and

24. direct or indirect loans or advances to the Issuer's Employee Stock Ownership Plan or guarantee obligations incurred in connection with its purchase or other acquisition of Equity Interests of the Issuer not to exceed $50.0 million at any time outstanding.

For purposes of determining compliance with this covenant:

1. in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of permitted Indebtedness, Disqualified Stock or Preferred Stock described in clauses (1) through (24) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will classify or reclassify such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) and will only be required to include the amount and type of such Indebtedness, Disqualified Stock or Preferred Stock in one of the above clauses; *provided* that all Indebtedness outstanding under the Senior Credit Facility on the Issue Date will at all times be deemed to be outstanding in reliance on clause (1) of the preceding paragraph; and

2. at the time of incurrence, the Issuer will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs above.

Accrual of interest, the accretion of accreted value, the amortization of original issue discount, and the payment of interest or dividends in the form of additional Indebtedness, Disqualified Stock or Preferred Stock, as applicable, the accretion of liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an incurrence of Indebtedness, Disqualified Stock or Preferred Stock for purposes of this covenant. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that are otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness, provided that the incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced plus the amount of any reasonable premium (including reasonable tender premiums), defeasance costs and any reasonable fees and expenses incurred in connection with the issuance of such new Indebtedness.

The Indenture provides that the Issuer will not, and will not permit any Guarantor to, directly or indirectly, incur any Indebtedness (including Acquired Indebtedness) that is subordinated or junior in right of payment to any Indebtedness of the Issuer or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the notes or such Guarantor's Guarantee to the extent in the same manner as such Indebtedness is subordinated to other Indebtedness of the Issuer or such Guarantor, as the case may be.

The Indenture does not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (2) Indebtedness as subordinated or junior to any other Indebtedness merely because it has a junior priority with respect to the same collateral.

Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien (an "Initial Lien") (except Permitted Liens) that secures obligations under any Indebtedness or any related guarantee, on any asset or property of the Issuer or any Restricted Subsidiary, or any income or profits therefrom, or assign or convey any right to receive income therefrom, unless:

1. in the case of Liens securing Subordinated Indebtedness, the notes and related Guarantees are secured by a Lien on such property, assets or proceeds that is senior in priority to such Liens; or

2. in all other cases, the notes or the Guarantees are equally and ratably secured, except that the foregoing shall not apply to (a) Liens securing the notes and the related Guarantees, (b) Liens securing Indebtedness permitted to be incurred under the Credit Facilities, including any letter of credit facility relating thereto, that was permitted by the terms of the Indenture to be incurred pursuant to clause (1) of the second paragraph under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," and (c) Liens securing additional Indebtedness permitted to be incurred pursuant to the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" *provided* that, in the case of this clause (c), at the time of the incurrence of such Indebtedness and after giving *pro forma* effect thereto, the Secured Leverage Ratio shall not exceed 3.50 to 1.00.

Any Lien created for the benefit of the holders of notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon discharge of the Initial Lien.

Merger, Consolidation or Sale of All or Substantially All Assets

The Issuer may not consolidate or merge with or into or wind up into (whether or not the Issuer is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

1. the Issuer is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership; limited liability company or similar entity organized or existing under the laws of the jurisdiction of organization of the United States, any state thereof, the District of Columbia, or any territory thereof (such Person, as the case may be, being herein called the "Successor Company"); *provided* that at any time the Issuer or the Successor Company is not a corporation, a co-obligor of the notes is a corporation organized or existing under such laws;

2. the Successor Company, if other than the Issuer, expressly assumes all the obligations of the Issuer under the notes pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Trustee;

3. immediately after such transaction, no Default exists;

4. immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable four-quarter period, either (i) the Successor Company would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" or (ii) the Fixed Charge Coverage Ratio for the Issuer (including any Successor Company thereto) and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such transaction;

5. each Guarantor, unless it is the other party to the transactions described above, in which case clause (1)(b) of the second succeeding paragraph shall apply, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations under the Indenture, the notes and the Registration Rights Agreement; and

6. the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indenture.

The Successor Company will succeed to, and be substituted for the Issuer, as the case may be, under the Indenture, the Guarantees and the notes, as applicable. Notwithstanding the foregoing clauses (3) and (4),

1. any Restricted Subsidiary may consolidate with or merge into or transfer all or part of its properties and assets to the Issuer, and

2. the Issuer may merge with an Affiliate of the Issuer solely for the purpose of (x) reincorporating the Issuer in a State of the United States or (y) the creation of a holding company of the Issuer so long as the amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby;

No Guarantor will, and the Issuer will not permit any Guarantor to, consolidate or merge with or into or wind up into (whether or not the Issuer or Guarantor is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any Person unless:

1. (a) such Guarantor is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership, limited partnership, limited liability company or trust or similar entity organized or existing under the laws of the jurisdiction of organization of such Guarantor, as the case may be, or the laws of the United States, any state thereof, the District of Columbia, or any territory thereof (such Guarantor or such Person, as the case may be, being herein called the *"Successor Person"*);

   (b) the Successor Person, if other than such Guarantor, expressly assumes all the obligations of such Guarantor under the Indenture and such Guarantor's related Guarantee pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Trustee;

   (c) immediately after such transaction, no Default exists; and

   (d) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures, if any, comply with the Indenture; or

2. the transaction is made in compliance with the covenant described under "Repurchase at the Option of Holders—Asset Sales."

In the case of clause (1) above, the Successor Person will succeed to, and be substituted for, such Guarantor under the Indenture and such Guarantor's Guarantee. Notwithstanding the foregoing, any Guarantor may merge into or transfer all or part of its properties and assets to another Guarantor or the Issuer.

For purposes of this covenant, so long as at the time of any Minority Business Disposition or any Minority Business Offering the Minority Business Disposition Condition is met, the Minority Business Assets shall not be deemed at any time to constitute all or substantially all of the properties or assets of the Issuer, and any sale, assignment, transfer, lease, conveyance or other disposition of all or any part of the Minority Business Assets (whether directly or indirectly, whether by sale, assignment, transfer, lease, conveyance or other disposition of any such properties or assets, or of any Equity Interest or other interest in any Person holding such properties or assets, or any consolidation or merger, or winding up into, and whether in one or more transactions, or otherwise, including any Minority Business Offering or any Minority Business Disposition) shall not be deemed at any time to constitute a consolidation with or merger with or into or winding up into, or sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer to, any Person. For the avoidance of doubt, no inference shall be drawn that assets of a Non-Minority Business is deemed to constitute "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries nor shall any inference be drawn that assets of a Minority Business is deemed to constitute "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries.

Transactions with Affiliates

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each of the foregoing, an "Affiliate Transaction") involving aggregate payments or consideration in excess of $5.0 million, unless:

1. such Affiliate Transaction is on terms that are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis; and

$25.0 million, a resolution adopted by the majority of the board of directors of the Issuer approving such Affiliate Transaction and set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with clause (1) above.

$25.0 million, a resolution adopted by the majority of the board of directors of the Issuer approving such Affiliate Transaction and set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with clause (1) above.

The foregoing provisions do not apply to the following:

1. transactions between or among the Issuer or any of its Restricted Subsidiaries;

2. Restricted Payments permitted by the provisions of the Indenture described above under the covenant "—Limitation on Restricted Payments" and Investments constituting "Permitted Investments";

3. the payment of reasonable and customary fees, compensation, benefits and incentive arrangements paid or provided to, and indemnities provided on behalf of, officers, directors, employees or consultants of Issuer, any of its direct or indirect parent companies or any of its Restricted Subsidiaries, including, without limitation, any such fees, compensation, benefits, arrangements and indemnities approved in good faith by the board of directors (or a committee thereof) of the Issuer;

4. any agreement as in effect as of the Issue Date, or any amendment or replacement agreement thereto (so long as any such amendment is not materially disadvantageous to the Holders when taken as a whole as compared to the applicable agreement as in effect on the Issue Date);

5. the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, any stockholders agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Issue Date and any similar agreements which it may enter into thereafter; *provided, however,* that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of obligations under any future amendment or replacement agreement to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (5) to the extent that the terms of any such amendment or new agreement are not otherwise materially disadvantageous to the Holders when taken as a whole;

6. any transaction effected as part of a Qualified Receivables Financing permitted hereunder;

7. transactions between the Issuer or any of its Restricted Subsidiaries and any Person is an Affiliate of the Issuer solely due to the fact that a director of such Person is also a director of the Issuer; *provided, however,* that such director abstains from voting as a director of the Issuer or such direct or indirect parent of the Issuer, as the case may be, on any matter involving such other Person;

8. any non-recourse pledge of Equity Interests of an Unrestricted Subsidiary to support the Indebtedness of such Unrestricted Subsidiary;

9. the Transaction and the payment of all fees and expenses related to the Transaction, in each case as disclosed in the offering memorandum for the notes issued on the Issue Date;

10. transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Issuer and its Restricted Subsidiaries, in the reasonable determination of the board of directors of the Issuer or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

11. the sale or issuance of Equity Interests (other than Disqualified Stock) of the Issuer;

12. payments or loans (or cancellation of loans) to employees or consultants of the Issuer, any of its direct or indirect parent companies or any of its Restricted Subsidiaries and employment agreements, stock option plans and other similar arrangements with such employees or consultants which, in each case, are approved by the Issuer in good faith; and
13. transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any such Restricted Subsidiary to:

1. (a) pay dividends or make any other distributions to the Issuer or any of the Restricted Subsidiaries on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, or

   (b) pay any Indebtedness owed to the Issuer or any of the Restricted Subsidiaries;

2. make loans or advances to the Issuer or any of the Restricted Subsidiaries; or

3. sell, lease or transfer any of its properties or assets to the Issuer or any of the Restricted Subsidiaries, except (in each case) for such encumbrances or restrictions existing under or by reason of:

   (a) contractual encumbrances or restrictions in effect on the Issue Date, including pursuant to the Credit Facilities and the related documentation;

   (b) the Indenture and the notes;

   (c) purchase money obligations and capital lease obligations for property acquired in the ordinary course of business that impose restrictions of the nature discussed in clause (3) above on the property so acquired;

   (d) applicable law or any applicable rule, regulation or order;

   (e) any agreement or other instrument of a Person acquired by the Issuer or any of its Restricted Subsidiaries in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person and its Subsidiaries, or the property or assets of the Person and its Subsidiaries, so acquired;

   (f) contracts for the sale of assets, including customary restrictions with respect to a Subsidiary of the Issuer pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, that impose restrictions on the assets to be sold;

   (g) Secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" and "—Liens" that limit the right of the debtor to dispose of the assets securing such Indebtedness or place any restriction on the Issuer's or its Restricted Subsidiaries' use of the assets securing such Secured Indebtedness;

(h) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(i) other Indebtedness, Disqualified Stock or Preferred Stock of Foreign Subsidiaries permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" that impose restriction solely on Foreign Subsidiaries party thereto;

(j) customary provisions in joint venture agreements and other similar agreements relating solely to such joint venture;

(k) customary provisions contained in leases or licenses of intellectual property and other agreements, in each case, entered into in the ordinary course of business;

(l) contractual requirements of a Receivables Subsidiary in connection with a Qualified Receivables Financing, provided that such restrictions apply only to such Receivables Subsidiary or the receivables that are subject to the Qualified Receivables Financing;

(m) protective Liens filed in connection with a sale and leaseback transaction permitted under the Indenture;

(n) restrictions in effect on the Issue Date that are contained in charter documents or shareholder agreements relating to any Restricted Subsidiary of the Issuer;

(o) any other agreement governing Indebtedness entered into after the Issue Date that contains encumbrances and restrictions that are not materially more restrictive with respect to the Issuer or any Restricted Subsidiary than those in effect on the Issue Date pursuant to agreements in effect on the Issue Date; and

(p) any encumbrances or restrictions of the type referred to in clauses (1), (2) and clause (3) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (o) above; *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Issuer, not materially more restrictive with respect to such encumbrance and other restrictions taken as a whole than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

Subsidiary Guarantees

If the Issuer or any of its Restricted Subsidiaries organizes, acquires, transfers assets to or otherwise invests in any Domestic Restricted Subsidiary (other than a Domestic Restricted Subsidiary if the Net Book Value of such Domestic Restricted Subsidiary, when taken together with the aggregate Net Book Value of all other Domestic Restricted Subsidiaries that are not Guarantors, as of such date, does not exceed in the aggregate $50.0 million), then such Domestic Restricted Subsidiary shall:

1. within 30 Business Days execute, and deliver to the Trustee, a supplemental indenture in form reasonably satisfactory to the Trustee pursuant to which such Domestic Restricted Subsidiary shall unconditionally Guarantee all of the Issuer's obligations under the notes and the Indenture on the terms set forth in the Indenture; and

2. deliver to the Trustee an Officer's Certificate and an Opinion of Counsel that such supplemental indenture has been duly authorized, executed and delivered by such Domestic Restricted Subsidiary and constitutes a legal, valid, binding and enforceable obligation of such Domestic Restricted Subsidiary.

Thereafter, such Domestic Restricted Subsidiary shall be a Guarantor for all purposes of the Indenture.

In addition, (i) to the extent that the collective Net Book Value of the Issuer's non-Guarantor Domestic Restricted Subsidiaries, as of the date of the organization, acquisition, transfer of assets to or investment in a non-Guarantor Domestic Restricted Subsidiary, exceeds $50.0 million, then, within 10 Business Days of such date, the Issuer shall cause one or more of such non-Guarantor Domestic Restricted Subsidiaries to similarly execute a supplemental indenture (and deliver the related Opinions of Counsel) pursuant to which such Domestic Restricted Subsidiary or Domestic Restricted Subsidiaries shall unconditionally Guarantee all of the Issuer's obligations under the notes and the Indenture, in each case, such that the collective Net Book Value of all remaining non-Guarantor Domestic Restricted Subsidiaries does not exceed $50.0 million and (ii) the Issuer may, at its option, cause any other Subsidiary of the Issuer to Guarantee its obligations under the notes and the Indenture and enter into a supplemental indenture with respect thereto.

Notwithstanding the foregoing, from and after the Issue Date, the Issuer will not permit any of its Restricted Subsidiaries, directly or indirectly, by way of pledge, intercompany note or otherwise, to assume, guarantee or in any other manner become liable with respect to any Indebtedness (other than the notes) of the Issuer or any Domestic Restricted Subsidiary of the Issuer, unless, in any such case, such Restricted Subsidiary executes and delivers a supplemental indenture (and the related Opinion of Counsel) to the Indenture providing a Guarantee of the notes by such Restricted Subsidiary; *provided* that no Restricted Subsidiary shall be required to Guarantee the notes if and to the extent it is prohibited by law from Guaranteeing the notes. The obligations of each Guarantee by a Restricted Subsidiary will be limited as necessary to prevent the Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law.

Reports and Other Information

Regardless of whether the Issuer remains subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or otherwise reports on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to rules and regulations promulgated by the SEC, the Indenture requires the Issuer to file with the SEC (and make available to the Trustee and, upon written request, Holders of the notes (without exhibits), without cost to any Holder, within 15 days after it files them with the SEC) from and after the Issue Date,

1. within the time period specified in the SEC's rules and regulations, annual reports on Form 10-K, or any successor or comparable form, containing the information required to be contained therein, or required in such successor or comparable form;

2. within the time period specified in the SEC's rules and regulations, reports on Form 10-Q containing all quarterly information that would be required to be contained in Form 10-Q, or any successor or comparable form; and

3. promptly from time to time after the occurrence of an event required to be therein reported, such other reports on Form 8-K, or any successor or comparable form:

in each case, in a manner that complies in all material respects with the requirements specified in such form; *provided* that the Issuer shall not be so obligated to file such reports with the SEC if the SEC does not permit such filing, in which event the Issuer will make available such information to prospective purchasers of notes, in addition to providing such information to the Trustee and the Holders of the notes, in each case within 15 days after the time the Issuer would be required to file such information with the SEC, if it were subject to Sections 13 or 15(d) of the Exchange Act. The posting of such reports, documents and information to the SEC's or the Issuer's website shall constitute delivery of such reports, documents and information to the Trustee and the Holders of the notes, *provided, however*, that the Trustee shall have no responsibility to determine whether such posting has occurred. To the extent not satisfied by the foregoing, the Issuer has agreed that, for so long as any notes are outstanding, it will furnish to Holders and to securities analysts and prospective investors, upon their written request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Notwithstanding the foregoing, in the event that any direct or indirect parent of the Issuer is or becomes a Guarantor of the notes, the Issuer may satisfy its obligations under this covenant with respect to financial information relating to the Issuer by furnishing financial information relating to such direct or indirect parent; provided that the same is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such direct or indirect parent and any of its Subsidiaries other than the Issuer and its Subsidiaries, on the one hand, and the information relating to the Issuer, the Guarantors and the other Subsidiaries of the Issuer on a standalone basis, on the other hand.

Suspension of Covenants

Following the first day (the "Suspension Date") that (a) the notes have an Investment Grade Rating from both Rating Agencies, and (b) no Default has occurred and is continuing, the Issuer and its Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized herein under: (i) "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; (ii) "—Limitation on Restricted Payments"; (iii) "—Transactions with Affiliates"; (iv) "Asset Sales"; (v) "—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"; and (vi) clause (4) under the first paragraph of "Merger, Consolidation or Sale of All or Substantially All Assets" (collectively, the "Suspended Covenants"). If and while the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants, the notes will be entitled to substantially less covenant protection.

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") one or both of the Rating Agencies withdraws its Investment Grade Rating or downgrades the rating assigned to the notes below an Investment Grade Rating, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to herein as the *"Suspension Period."* Notwithstanding that the Suspended Covenants may be reinstated, no Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period.

During the Suspension Period, the Issuer and its Restricted Subsidiaries will be entitled to incur Liens to the extent provided for under "—Liens" (including, without limitation, Permitted Liens) and any Permitted Liens which may refer to one or more Suspended Covenants shall be interpreted as though such applicable Suspended Covenant(s) continued to be applicable during the Suspension Period (but solely for purposes of the "—Liens" covenant and for no other covenant).

After any Reversion Date, (1) with respect to any Restricted Payments made after such Reversion Date, the amount of any Restricted Payments made will be calculated as though the covenant described above under the caption "—Limitation on Restricted Payments" had been in effect since the Issue Date and throughout the Suspension Period; and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (3) of the second paragraph of "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock." Notwithstanding the foregoing, during the Suspension Period the Issuer shall not designate any of its Restricted Subsidiaries to be Unrestricted Subsidiaries.

There can be no assurance that the notes will ever achieve or maintain Investment Grade Ratings.

The Company shall notify the Trustee of the commencement or the termination of any Suspension Period. The Trustee shall have no obligation to independently determine or verify if a Suspension Date or Reversion Date has occurred or notify the holders of the occurrence or termination of any Suspension Period. The Trustee may provide a copy of such notice to any holder of notes upon request.

Events of Default and Remedies

The Indenture provides that each of the following is an Event of Default:

1. default in payment when due and payable, upon redemption, acceleration or otherwise, of principal of or premium, if any, on the notes;

2. default for 30 days or more in the payment when due of interest or Additional Interest on or with respect to the notes;

3. (a) failure by the Issuer or any Guarantor to comply with its obligations under "Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets," (b) failure by the Issuer or any Restricted Subsidiary to comply with its obligations under the covenants

described under “Repurchase at the Option of Holders” (other than a failure to purchase notes that will constitute an Event of Default under clause (1) above and other than a failure to comply with its obligations that would cause a default under clause (a)), or (c) failure by the Issuer or any Restricted Subsidiary to comply with any of its obligations, covenants or agreements (other than a default referred to in clauses (1), (2) and (a) and (b) above) contained in the Indenture or the notes in the case of clause (b) for 30 days and in the case of clause (c) for 60 days, in each such case after receipt of written notice given to the Issuer by the Trustee or the Holders of not less than 25% in principal amount of the notes;

4. default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries, other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists or is created after the issuance of the notes, if both:

    (a) such default either results from the failure to pay any principal of such Indebtedness at its stated final maturity (after giving effect to any applicable grace periods) or relates to an obligation other than the obligation to pay principal of any such Indebtedness at its stated final maturity and results in the holder or holders of such Indebtedness causing such Indebtedness to become due prior to its stated maturity; and

    (b) the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at stated final maturity (after giving effect to any applicable grace periods), or the maturity of which has been so accelerated, aggregate $30.0 million or more at any one time outstanding;

5. failure by the Issuer or any Significant Subsidiary (or group of Restricted Subsidiaries that taken together would constitute a Significant Subsidiary) to pay final judgments aggregating in excess of $30.0 million, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final, and in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed;

6. certain events of bankruptcy or insolvency with respect to the Issuer or any Significant Subsidiary; or

7. the Guarantee of any Significant Subsidiary (or group of Guarantors that taken together would constitute a Significant Subsidiary) shall for any reason cease to be in full force and effect or be declared null and void or any responsible officer of such Guarantor, as the case may be, denies that it has any further liability under its Guarantee or gives notice to such effect, other than by reason of the termination of the Indenture or the release of any such Guarantee in accordance with the Indenture and such default continues for 10 Business Days.

If any Event of Default (other than of a type specified in clause (6) above with respect to the Issuer) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in principal amount of the then total outstanding notes may declare the principal, premium, if any, interest and any other monetary obligations on all the then outstanding notes to be due and payable immediately.

Upon the effectiveness of such declaration, such principal and interest will be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising under clause (6) of the first paragraph of this section, all outstanding notes will become due and payable without further action or notice. The Indenture provides that the Trustee may withhold from the Holders notice of any continuing Default, except a Default relating to the payment of principal, premium, if any, or interest, if it determines that withholding notice is in their interest.

The Indenture provides that the Holders of a majority in aggregate principal amount of the then outstanding notes by written notice to the Trustee may on behalf of the Holders of all of the notes waive any existing Default and its consequences under the Indenture except a continuing Default in the payment of interest on, premium, if any, or the principal of any note held by a non-consenting Holder or a continuing Default in respect of a covenant or provision of the Indenture which cannot be amended or modified without the consent of all Holders.

Subject to the provisions of the Indenture relating to the duties of the Trustee thereunder, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders of the notes unless the Holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Holder of a note may pursue any remedy with respect to the Indenture or the notes unless:

1. such Holder has previously given the Trustee written notice that an Event of Default is continuing;

2. Holders of at least 25% in principal amount of the total outstanding notes have requested the Trustee to pursue the remedy;

3. Holders of the notes have offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense;

4. the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity; and

5. Holders of a majority in principal amount of the total outstanding notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, under the Indenture the Holders of a majority in principal amount of the total outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder of a note or that would involve the Trustee in personal liability.

The Indenture provides that the Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuer is required, within 60 days after becoming aware of any Default, to deliver to the Trustee a statement specifying such Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder, member or limited partner of the Issuer or any Restricted Subsidiary or any of their parent companies shall have any liability for any obligations of the Issuer or the Guarantors under the notes, the Guarantees or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting notes waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes.

Legal Defeasance and Covenant Defeasance

The obligations of the Issuer and the Guarantors under the Indenture will terminate (other than certain obligations) and will be released upon payment in full of all of the notes. The Issuer may, at its option and at any time, elect to have all of its obligations discharged with respect to the notes and have the Issuer and each Guarantor's obligation discharged with respect to its Guarantee ("Legal Defeasance") and cure all then existing Events of Default except for:

1. the rights of Holders of notes to receive payments in respect of the principal of, premium, if any, and interest on the notes when such payments are due solely out of the trust created pursuant to the Indenture;
2. the Issuer's obligations with respect to notes concerning issuing temporary notes, registration of such notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;
3. the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and
4. the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and those of each Guarantor released with respect to certain covenants in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including bankruptcy, receivership, rehabilitation and insolvency events pertaining to the Issuer) described under "Events of Default and Remedies" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to the notes:

1. the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the notes, cash in U.S. dollars, Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest due on the notes on the stated maturity date or on the redemption date, as the case may be, of such principal, premium, if any, or interest on such notes and the Issuer must specify whether such notes are being defeased to maturity or to a particular redemption date;

2. in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions,

   (a) the Issuer has received from, or there has been published by, the United States Internal Revenue Service a ruling, or

   (b) since the issuance of the notes, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, subject to customary assumptions and exclusions, the Holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes, as applicable, as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

3. in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that, subject to customary assumptions and exclusions, the Holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to such tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

4. no Default (other than that resulting from borrowing funds to be applied to make such deposit and the granting of Liens in connection therewith) shall have occurred and be continuing on the date of such deposit;

5. such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under any Credit Facility, or any other material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

6. the Issuer shall have delivered to the Trustee an Opinion of Counsel to the effect that, as of the date of such opinion and subject to customary assumptions and exclusions following the deposit, the trust funds will not be subject to the effect of Section 547 of Title 11 of the United States Code;

7. the Issuer shall have delivered to the Trustee an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or any Guarantor or others; and

8. the Issuer shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions) each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all notes, when either:

1. all notes theretofore authenticated and delivered, except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust, have been delivered to the Trustee for cancellation; or

2. (a) all notes not theretofore delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption and redeemed within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer and the Issuer or any Guarantor have irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders of the notes, cash in U.S. dollars, in such amounts as will be sufficient without consideration of any reinvestment of interest to pay and, discharge the entire indebtedness on the notes not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

In addition, the Issuer must deliver an Officer’s Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

(b) the Issuer has paid or caused to be paid all sums payable by it under the Indenture; and

(c) the Issuer has delivered irrevocable written instructions to the Trustee to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, any Guarantee and the notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the notes then outstanding, including consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes, and any existing Default or compliance with any provision of the Indenture or the notes issued thereunder may be waived with the consent of the Holders of a majority in principal amount of the then outstanding notes, other than notes beneficially owned by the Issuer or its Affiliates, including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the notes.

The Indenture provides that, without the consent of each affected Holder of notes, an amendment or waiver may not, with respect to any notes held by a non-consenting Holder:

1. reduce the principal amount of such notes whose Holders must consent to an amendment, supplement or waiver;

2. reduce the principal of or change the fixed final maturity of any such note or alter or waive the provisions with respect to the redemption of such notes (other than provisions relating to the covenants described above under the caption "Repurchase at the Option of Holders"); *provided* that the notice period for redemption may be reduced to not less than three (3) Business Days with the consent of the Holders of a majority in principal amount of the notes then outstanding if a notice of redemption has not prior thereto been sent to such Holders;

3. reduce the rate of or change the time for payment of interest on any note;

4. waive a Default in the payment of principal of or premium, if any, or interest on the notes, except a rescission of acceleration of the notes by the Holders of at least a majority in aggregate principal amount of the notes and a waiver of the payment default that resulted from such acceleration;

5. make any note payable in currency other than that stated therein;

6. make any change in the provisions of the Indenture relating to the rights of Holders to receive payments of principal of or premium, if any, or interest on the notes;

7. make any change in these amendment and waiver provisions;

8. impair the right of any Holder to receive payment of principal of, or interest on such Holder's notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's notes;

9. make any change to or modify the ranking of the notes that would adversely affect the Holders; or

10. except as expressly permitted by the Indenture, modify the Guarantee of any Significant Subsidiary in any manner adverse to the Holders of the notes.

Notwithstanding the foregoing, the Issuer, any Guarantor (with respect to a Guarantee or the Indenture to which it is a party) and the Trustee may amend or supplement the Indenture and any Guarantee or notes without the consent of any Holder:

1. to cure any ambiguity, omission, mistake, defect or inconsistency;
2. to provide for uncertificated notes of such series in addition to or in place of certificated notes;
3. to comply with the covenant relating to mergers, consolidations and sales of assets;
4. to provide for the assumption of the Issuer's or any Guarantor's obligations to the Holders;
5. to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the rights under the Indenture of any such Holder;
6. to add covenants for the benefit of the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor;
7. to comply with requirements of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act;
8. to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee thereunder pursuant to the requirements thereof;
9. to provide for the issuance of notes or private notes, which are identical to notes except that they are not freely transferable;
10. to add a Guarantor or release any Guarantor from its Guarantee if such release is in accordance with the terms of the Indenture;
11. to conform the text of the Indenture, Guarantees or the notes to any provision of the "Description of Notes" included in the offering memorandum for the original notes to the extent that such provision in such "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, Guarantee or notes, as provided in an Officer's Certificate; or
12. to make any amendment to the provisions of the Indenture relating to the transfer and legending of notes as permitted by the Indenture, including, without limitation to facilitate the issuance and administration of the notes; *provided, however,* that (i) compliance with the Indenture as so amended would not result in notes being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of Holders to transfer notes.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment becomes effective, the Issuer will be required to send to each registered holder of the notes at such holder's address appearing in the register of holders a notice (or, for so long as the notes are held in global form, to notify DTC in accordance with its procedures for notice) briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment. Any supplemental indenture for the purpose of adding a Subsidiary Guarantee may be signed by the Issuer, the Subsidiary providing the Subsidiary Guarantee, and the Trustee.

Notices

Notices given by publication will be deemed given on the first date on which publication is made and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing.

Concerning the Trustee

The Indenture contains certain limitations on the rights of the Trustee thereunder, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of such person's own affairs.

Governing Law

The Indenture, the notes and any Guarantee are governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles thereof.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. For purposes of the Indenture, unless otherwise specifically indicated, the term "consolidated" with respect to any Person refers to such Person consolidated with its Restricted Subsidiaries, and excludes from such consolidation any Unrestricted Subsidiary as if such Unrestricted Subsidiary were not an Affiliate of such Person.

"Acquired Indebtedness" means, with respect to any specified Person,

1. Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, including Indebtedness assumed or incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Restricted Subsidiary of such specified Person, and

2. Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Additional Interest" means all additional interest then owing pursuant to the Registration Rights Agreement.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person,

whether through the ownership of voting securities, by agreement or otherwise. No Person (other than the Issuer or any Subsidiary of the Issuer) in whom a Receivables Subsidiary makes an Investment in connection with a financing of accounts receivable will be deemed to be an Affiliate of the Issuer or any of its Subsidiaries solely by reason of such Investment.

“Applicable Premium” means, with respect to any note on any Redemption Date, the greater of:

(1) 1.0% of the principal amount of such note; and

(2) the excess, if any, of (a) the present value at such Redemption Date of (i) the redemption price of such note at March 1, 2023 (such redemption price being set forth in the table appearing above under the caption “Optional Redemption”), plus (ii) all required interest payments due on such note through March 1, 2023 (excluding accrued but unpaid interest to the Redemption Date), computed using a discount rate equal to the Treasury Rate as of such Redemption Date plus 50 basis points; over (b) the then-outstanding principal amount of such note.

“Asset Sale” means:

1. the sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of property or assets of the Issuer or any of the Restricted Subsidiaries (each referred to in this definition as a “disposition”); or

2. the issuance or sale of Equity Interests of any Restricted Subsidiary, whether in a single transaction or a series of related transactions (other than Preferred Stock of Restricted Subsidiaries issued in compliance with the covenant described under “Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock”); in each case, other than:

   (a) any disposition of Cash Equivalents or Investment Grade Securities or obsolete, damaged or worn out equipment or assets no longer used or useful, in each case, in the ordinary course of business or any disposition of inventory, equipment, accounts receivable or goods (or other assets) held for sale in the ordinary course of business;

   (b) the disposition of all or substantially all of the properties or assets of the Issuer in a manner permitted pursuant to the provisions described above under “Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets” or any disposition that constitutes a Change of Control pursuant to the Indenture;

   (c) the making of any Restricted Payment or Permitted Investment that is permitted to be made, and is made, under the covenant described above under “Certain Covenants—Limitation on Restricted Payments”;

   (d) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary in any transaction or series of related transactions with an aggregate fair market value of less than $10.0 million;

   (e) any disposition of property or assets or issuance of securities by a Restricted Subsidiary of the Issuer to the Issuer or by the Issuer or a Restricted Subsidiary of the Issuer to another Restricted Subsidiary of the Issuer;

(f) to the extent allowable under Section 1031 of the Internal Revenue Code of 1986, any exchange of like property (excluding any boot thereon);

(g) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(h) foreclosures, condemnations or any similar actions on assets;

(i) any financing transaction with respect to property built or acquired by the Issuer or any Restricted Subsidiary after the Issue Date, including Sale and Lease-Back Transactions permitted by the Indenture;

(j) licenses or sub-licenses of intellectual property in the ordinary course of business;

(k) the creation of any Lien permitted under the Indenture;

(l) any issuance or sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(m) the surrender or waiver of contract rights or settlement, release or surrender of a contract, tort or other litigation claim in the ordinary course of business; and

(n) a disposition of accounts receivable and related assets by a Receivables Subsidiary in a Qualified Receivables Financing.

"*Business Day*" means each day which is not a Legal Holiday.

"*Capital Stock*" means:

1. in the case of a corporation, corporate stock;

2. in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

3. in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

4. any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Capitalized Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP; *provided* that any obligations of the Issuer or its Restricted Subsidiaries either existing on the Issue Date or created prior to any recharacterization described below (i) that were not included on the consolidated balance sheet of the Issuer as capital lease obligations and (ii) that are subsequently recharacterized as capital lease obligations due to a change in accounting treatment or otherwise, shall for all purposes under the Indenture (including, without limitation, the calculation of Consolidated Net Income and EBITDA) not be treated as capital lease obligations, Capitalized Lease Obligations or Indebtedness.

"Cash Equivalents" means:

1. United States dollars;

2. (a) euro, or any national currency of any participating member of the EMU; or (b) in the case of any Foreign Subsidiary that is a Restricted Subsidiary, such local currencies held by them from time to time in the ordinary course of business;

3. securities issued or directly and fully and unconditionally guaranteed or insured by the U.S. government or any agency or instrumentality thereof the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 12 months or less from the date of acquisition;

4. marketable direct EEA Government Obligations with maturities of 12 months or less from the date of acquisition;

5. certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank having capital and surplus of not less than $500.0 million;

6. repurchase obligations for underlying securities of the types described in clauses (3), (4) and (5) entered into with any financial institution meeting the qualifications specified in clause (5) above;

7. commercial paper rated at least P-1 by Moody's or at least A-1 by S&P and in each case maturing within 24 months after the date of creation thereof;

8. marketable short-term money market and similar securities having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively, and in each case maturing within 24 months after the date of creation thereof;

9. readily marketable direct obligations issued by any state, commonwealth or territory of the United States or any political subdivision or taxing authority thereof having one of the two highest ratings obtainable from either Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) with maturities of 24 months or less from the date of acquisition;

10. investment funds investing 95% of their assets in securities of the types described in clauses (1) through (9) above; and

11. in the case of any Restricted Subsidiaries organized or having its principal place of business outside of the United States, Investments of comparable tenor and credit quality to those described in the foregoing clauses (3) through (10) customarily utilized in countries in which such Restricted Subsidiary operates.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clauses (1) and (2) above, *provided* that such amounts are converted into any currency listed in clauses (1) and (2) as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

"Change of Control" means the occurrence of any of the following:

1. the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, to any Person;

2. any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), is or becomes, in a single transaction or in a related series of transactions, the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), directly or indirectly, of 50% or more of the total voting power of the Voting Stock of the Issuer;

3. the first day on which a majority of the members of the board of directors of the Issuer are not Continuing Directors; or

4. the adoption by the stockholders of the Issuer of a plan or proposal for the liquidation or dissolution of the Issuer.

For the purpose of this definition, so long as at the time of any Minority Business Disposition or any Minority Business Offering the Minority Business Disposition Condition is met, the Minority Business Assets shall not be deemed at any time to constitute all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole, and any sale, lease or transfer of all or any part of the Minority Business Assets (whether directly or indirectly, whether by sale, lease or transfer of any such assets, or of any Equity Interest or other interest in any Person holding such assets, or by merger or consolidation, or any combination thereof, and whether in one or more transactions, or otherwise, including any Minority Business Offering or any Minority Business Disposition) shall not be deemed at any time to constitute a sale, lease or transfer of all or substantially all of the assets of the Issuer and its Subsidiaries, taken as a whole. For the avoidance of doubt, no inference shall be drawn that assets of a Non-Minority Business is deemed to constitute "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries nor shall any inference be drawn that assets of a Minority Business is deemed to constitute "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries.

"*Consolidated Depreciation and Amortization Expense*" means with respect to any Person for any period, the total amount of depreciation and amortization expense, including the amortization of goodwill and other intangibles, deferred financing fees of such Person and its Restricted Subsidiaries, for such period on a consolidated basis and otherwise determined in accordance with GAAP.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, without duplication, the sum of:

1. consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted (and not added back) in computing Consolidated

   Net Income including (a) amortization of original issue discount resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments pursuant to GAAP), (d) the interest component of Capitalized Lease Obligations, and (e) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (x) amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses and (y) any expensing of bridge, commitment and other financing fees; plus

2. consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income, of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, and otherwise determined in accordance with GAAP; *provided, however*, that, without duplication,

1. any after-tax effect of extraordinary gains or losses (less all fees and expenses relating thereto) shall be excluded,

2. the cumulative effect of a change in accounting principles during such period shall be excluded,

3. any after-tax effect of income (loss) attributable to discontinued operations shall be excluded,

4. any after-tax effect of gains or losses (less all fees and expenses relating thereto) attributable to asset dispositions other than in the ordinary course of business, as determined in good faith by the Issuer, shall be excluded,

5. the Net Income (but not loss) for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be excluded; *provided* that Consolidated Net Income of the Issuer shall be increased by the amount of dividends or distributions or other payments that are actually paid in cash (or to the extent converted into cash) to the referent Person or a Restricted Subsidiary thereof in respect of such period by such Person and shall be decreased by the amount of any actual net losses that have been funded with cash from the Issuer or a Restricted Subsidiary during such period,

6. solely for the purpose of determining the amount available for Restricted Payments under clause 3(a) of the covenant described under "Certain Covenants—Limitation on Restricted Payments," the Net Income (but not loss) for such period of any Restricted Subsidiary (other than any Guarantor) shall be excluded if the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of its Net Income is not at the date of determination permitted, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restriction with respect to the payment of dividends or similar distributions has been legally waived; *provided* that Consolidated Net Income of the Issuer will be increased by the amount of dividends or other distributions or other payments actually paid in cash (or to the extent converted into cash) to the Issuer or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein,

7. effects of adjustments (including the effects of such adjustments pushed down to the Issuer and its Restricted Subsidiaries) in the property and equipment, software and other intangible assets, deferred revenue and debt line items in such Person's consolidated financial statements pursuant to GAAP resulting from the application of purchase accounting in

   relation to any consummated acquisition or the amortization or write-off of any amounts thereof, net of taxes, shall be excluded,

8. any impairment charge or asset write-off, in each case, pursuant to GAAP and the amortization of intangibles arising pursuant to GAAP shall be excluded,

9. any non-cash gains and losses due solely to fluctuations in currency values in accordance with GAAP shall be excluded,

10. any fees, charges, costs and expenses incurred in connection with the Transaction shall be excluded,

11. (a) the amount of any write-off of deferred financing costs or of indebtedness issuance costs and the amount of charges related to any premium paid in connection with repurchasing or refinancing indebtedness shall be excluded and (b) all nonrecurring expenses and charges relating to such repurchase or refinancing of indebtedness or relating to any incurrence of indebtedness, in each case, whether or not such transaction is consummated, shall be excluded,

12. restructuring charges incurred in connection with the closing and restructuring of certain manufacturing facilities and non-recurring restructuring charges incurred in connection with certain facilities of Clopay, Telephonics and AMES shall be excluded,

13. any severance or similar one-time compensation charges shall be excluded,

14. fees, expenses and charges relating to any offering of Equity Interests or Indebtedness of the Issuer or its Restricted Subsidiaries or any acquisition permitted by the Indenture shall be excluded, and

15. any non-cash compensation charge or expense, including such charge or expense arising from grants of stock options or restricted stock or other equity incentive programs for the benefit of officers, directors and employees of the Issuer or any Restricted Subsidiary of the Issuer shall be excluded.

Notwithstanding the foregoing, for the purpose of the covenant described under "Certain Covenants—Limitation on Restricted Payments" only (other than clause (3)(d) of the first paragraph thereof), there shall be excluded from Consolidated Net Income any income arising from any sale or other disposition of Restricted Investments made by the Issuer and its Restricted Subsidiaries, any repurchases and redemptions of Restricted Investments from the Issuer and its Restricted Subsidiaries, any repayments of loans and advances which constitute Restricted Investments by the Issuer or any of its Restricted Subsidiaries, any sale of the stock of an Unrestricted Subsidiary or any interest payment, distribution or dividend from an Unrestricted Subsidiary, in each case only to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (3)(d) thereof.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness (*"primary obligations"*) of any other Person (the *"primary obligor"*) in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent,

1. to purchase any such primary obligation or any property constituting direct or indirect security therefor,

2. to advance or supply funds

   (a) for the purchase or payment of any such primary obligation, or

   (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, or

3. to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Continuing Directors" means, as of any date of determination, any member of the board of directors of the Issuer who (1) was a member of such board of directors on the date of the Indenture; or (2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election.

"Credit Facilities" means, with respect to the Issuer or any of its Restricted Subsidiaries, one or more debt facilities, including the Senior Credit Facility, or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and

any indentures or credit facilities or commercial paper facilities that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (provided that such increase in borrowings to the extent in excess of the amount permitted under clause (1) of the second paragraph under “Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock” is otherwise permitted to be incurred under such covenant) or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Designated Non-cash Consideration*” means the fair market value of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, executed by the principal financial officer of the Issuer, less the amount of cash and Cash Equivalents received in connection with a subsequent sale of or collection of such Designated Non-cash Consideration.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is putable or exchangeable, except to the extent such capital stock is exchanged into Indebtedness at the option of the Issuer thereof and only subject to the terms of any debt instrument to which such Person is a party), or upon the happening of any event, matures or is mandatorily redeemable (other than solely as a result of a change of control or asset sale) pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof (other than solely as a result of a change of control or asset sale), in whole or in part, in each case prior to the date 91 days after the earlier of the maturity date of the notes or the date the notes are no longer outstanding; *provided, however,* that if such Capital Stock is issued to any plan for the benefit of employees of the Issuer or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

“*Domestic Restricted Subsidiary*” means a Restricted Subsidiary incorporated or otherwise organized or existing under the laws of the United States, any state thereof or the District of Columbia.

“*EBITDA*” means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period

1. increased (without duplication) by:

(a) provision for taxes based on income or profits or capital gains, including, without limitation, state, franchise and similar taxes and foreign withholding taxes of such Person paid or accrued during such period deducted (and not added back) in computing Consolidated Net Income; *plus*

(b) Fixed Charges of such Person for such period to the extent the same was deducted (and not added back) in calculating such Consolidated Net Income; *plus*

(c) Consolidated Depreciation and Amortization Expense of such Person for such period to the extent the same were deducted (and not added back) in computing Consolidated Net Income; *plus*

(d) any expenses or charges (other than depreciation or amortization expense) related to any Equity Offering, Permitted Investment, acquisition, disposition, recapitalization or the incurrence of Indebtedness permitted to be incurred by the Indenture (including a refinancing thereof) (whether or not successful), including (i) such fees, expenses or charges related to the offering of the notes and the Credit Facilities and (ii) any amendment or other modification of the notes, and, in each case, deducted (and not added back) in computing Consolidated Net Income; *plus*

(e) the amount of any restructuring charge or reserve deducted (and not added back) in such period in computing Consolidated Net Income, including any one-time costs incurred in connection with acquisitions after the Issue Date and costs related to the closure and/or consolidation of facilities; *plus*

(f) any other non-cash charges, including any write-offs or write-downs, reducing Consolidated Net Income for such period (*provided* that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period shall be subtracted from EBITDA to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period); *plus*

(g) any costs or expense incurred by the Issuer or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Issuer or net cash proceeds of an issuance of Equity Interest of the Issuer (other than Disqualified Stock) solely to the extent that such net cash proceeds are excluded from the calculation set forth in clause (3) of the first paragraph under "Certain Covenants—Limitation on Restricted Payments," and have not been relied on for purposes of any incurrence of Indebtedness pursuant to clause (12)(a) of "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; *plus*

(h) any non-cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights;

2. decreased by (without duplication) non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any non-cash gains to the extent they represent the reversal of an accrual or reserve for a potential cash item that reduced EBITDA in any prior period, and

3. increased or decreased by (without duplication):

   (a) any net gain or loss resulting in such period from Hedging Obligations and the application of Statement of Financial Accounting Standards No. 133; *plus* or *minus*, as applicable,

   (b) any net gain or loss resulting in such period from currency translation gains or losses related to currency remeasurements of Indebtedness (including any net loss or gain resulting from Hedging Obligations for currency exchange risk); *plus* or *minus*, as applicable,

   (c) any net after-tax income (loss) from the early extinguishment of Indebtedness or Hedging Obligations or other derivative,

all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in accordance with GAAP.

"*EEA Government Obligation*" means any direct non-callable obligation of any European Union member for the payment of which obligation the full faith and credit of the respective nation is pledged; *provided* that such nation has a credit rating at least equal to that of the highest rated member nation of the European Economic Area.

"*EMU*" means the economic and monetary union as contemplated in the Treaty on European Union.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"*Equity Offering*" means any public or private sale of common stock or Preferred Stock of the Issuer or any of its direct or indirect parent companies (excluding Disqualified Stock), other than:

1. public offerings with respect to the Issuer's or any direct or indirect parent company's common stock registered on Form S-8; and

2. issuances to any Subsidiary of the Issuer.

"*euro*" means the single currency of participating member states of the EMU.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*fair market value*" means, with respect to any asset or liability, the fair market value of such asset or liability as determined by the Issuer in good faith; *provided* that if the fair market value is equal to or exceeds $25.0 million, such determination shall be made in good faith by the board of directors of the Issuer.

"Fixed Charge Coverage Ratio" means, with respect to any Person for any period, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Issuer or any Restricted Subsidiary incurs, assumes, guarantees, redeems, retires or extinguishes any Indebtedness (other than Indebtedness incurred under any revolving credit facility or other incurrence of Indebtedness for working capital purposes pursuant to working capital facilities unless, in each case, such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the *"Fixed Charge Coverage Ratio Calculation Date"*), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, redemption, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable period.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, consolidations and discontinued operations (as determined in accordance with GAAP) that have been made by the Issuer or any of its Restricted Subsidiaries during the reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and discontinued operations (and the change in any associated Fixed Charges and the change in EBITDA resulting therefrom) had occurred on the first day of the reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or discontinued operation had occurred at the beginning of the applicable period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer and shall comply with Regulation S-X, except that the *pro forma* calculations may also include reasonably identifiable and factually supportable operating expense reductions for which the steps necessary for realization have been taken or are reasonably expected to be completed within 12 months of the transaction and are set forth in an Officer's Certificate. For the avoidance of doubt, the actual adjustments described in "Adjusted EBITDA" elsewhere in the offering memorandum for the notes issued on the Issue Date shall be deemed to comply with the standards set forth in the immediately preceding sentence. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate.

"*Fixed Charges*" means, with respect to any Person for any period, the sum, without duplication, of:

1. Consolidated Interest Expense of such Person for such period;

2. all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock of such Person during such period; and

3. all cash dividends or other distributions paid or accrued (excluding items eliminated in consolidation) on any series of Disqualified Stock of such Person during such period.

"*Foreign Subsidiary*" means, with respect to any Person, any Restricted Subsidiary other than a Domestic Restricted Subsidiary.

"*GAAP*" means generally accepted accounting principles in the United States which are in effect on the Issue Date.

"*Government Securities*" means securities that are:

1. direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged; or

2. obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America.

"*guarantee*" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"*Guarantee*" means the guarantee by any Guarantor of the Issuer's Obligations under the Indenture.

"*Guarantor*" means each Restricted Subsidiary that Guarantees the notes in accordance with the terms of the Indenture.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under:

1. any interest rate protection agreements including, without limitation, interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

2. any foreign exchange contracts, currency swap agreements or other agreements or arrangements designed to protect such Person against fluctuations in interest rates or foreign exchange rates;

3. any commodity futures contract, commodity option or other similar arrangement or agreement designed to protect such Person against fluctuations in the prices of commodities; and

4. indemnity agreements and arrangements entered into in connection with the agreements and arrangements described in clauses (1), (2) and (3).

"*Holder*" means the Person in whose name a note is registered on the registrar's books.

"*Indebtedness*" means, with respect to any Person, without duplication:

1. any indebtedness (including principal and premium) of such Person, whether or not contingent:

   (a) in respect of borrowed money;

   (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof);

   (c) representing the balance deferred and unpaid of the purchase price of any property (including Capitalized Lease Obligations), except (i) any such balance that constitutes an accrued expense or trade payable or similar obligation to a trade creditor accrued in the ordinary course of business and (ii) any earn-out obligations until such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP; or

   (d) representing any Hedging Obligations;

   (e) if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with GAAP;

2. to the extent not otherwise included, any obligation by such Person to be liable for, or to pay, as obligor, guarantor or otherwise, on the obligations of the type referred to in clause (1) of a third Person (whether or not such items would appear upon the balance sheet of the such obligor or guarantor), other than by endorsement of negotiable instruments for collection in the ordinary course of business; and

3. to the extent not otherwise included, the obligations of the type referred to in clause (1) of a third Person secured by a Lien on any asset owned by such first Person, whether or not such Indebtedness is assumed by such first Person, *provided* that if such Indebtedness has not been so assumed the amount of such Indebtedness shall be the lesser of (A) the fair market value of such asset at the date of determination and (B) the amount of the Indebtedness so secured;

provided, however, that notwithstanding the foregoing, Indebtedness shall be deemed not to include Contingent Obligations incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financings.

"*Independent Financial Advisor*" means an accounting, appraisal, investment banking firm or consultant of nationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

"*Initial Purchasers*" means the initial purchasers listed on the cover of the offering memorandum for the old notes.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or equivalent) by Moody's and BBB- (or equivalent) by S&P, or an equivalent rating by any Successor Rating Agency.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet (excluding the footnotes) of the Issuer in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "Certain Covenants—Limitation on Restricted Payments":

1. "Investments" shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a. permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:

   (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation; less

   (b) the portion (proportionate to the Issuer equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

2. any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer.

"*Issue Date*" means February 19, 2020.

"*Issuer*" has the meaning set forth in the first paragraph under "General."

"*Legal Holiday*" means a Saturday, a Sunday or a day on which commercial banking institutions are not required to be open in the State of New York.

"*Lien*" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"*Minority Business*" means any business unit of the Issuer that both (i) represents less than 50.0% of the Segment Adjusted EBITDA of the Issuer and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available and (ii) has been designated as "Minority Business" pursuant to an Officer's Certificate of the Issuer delivered to the Trustee.

"*Minority Business Assets*" means the properties and assets of the Issuer and its Subsidiaries, including Equity Interests of Subsidiaries, that relate to or form part of a Minority Business.

"*Minority Business Disposition*" means (i) any sale or other disposition of Equity Interests of any Minority Business Subsidiary (whether by issuance or sale of Equity Interests, merger, or otherwise) to one or more Persons (other than the Issuer or a Restricted Subsidiary) in any transaction or series of related transactions following the consummation of which such Minority Business Subsidiary is no longer a Restricted Subsidiary of the Issuer (excluding any Minority Business Offering) or (ii) any sale or other disposition of any properties or assets of any Minority Business Subsidiary, including all or substantially all of the properties or assets of any Minority Business Subsidiary, to one or more Persons (other than the Issuer or a Restricted Subsidiary) in any transaction or series of related transactions.

"*Minority Business Disposition Condition*" means at any date of determination after giving effect to the Minority Business Disposition or Minority Business Offering, either (1) the Issuer could incur at least $1.00 of Indebtedness under the provisions of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" or (2) the Fixed Charge Coverage Ratio of the Issuer would equal or exceed the Fixed Charge Coverage Ratio of the Issuer immediately prior to giving effect thereto.

"*Minority Business Offering*" means a public offering of Equity Interests of any Minority Business Subsidiary pursuant to a registration statement filed with the SEC.

"*Minority Business Subsidiary*" means any of the Issuer's Subsidiaries and successors in interest thereto to the extent any of such Subsidiaries form part of the relevant Minority Business.

"*Moody's*" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Net Book Value*" means, with respect to any Domestic Restricted Subsidiary, the net book value of the total assets of such Restricted Subsidiary determined in accordance with GAAP but excluding book value attributable to (i) an Investment in another Domestic Restricted Subsidiary (A) that is a Guarantor or (B) to the extent the assets of such other Domestic Restricted Subsidiary are otherwise included in the determination of aggregate Net Book Value pursuant to the covenant described under "Certain Covenants—Subsidiary Guarantees", (ii) an investment in a Foreign Subsidiary, (iii) deferred taxes, (iv) deferred financing costs, (v) intercompany indebtedness and (vi) assets that are no longer used or useful in the business of such Domestic Restricted Subsidiary (as determined by the Issuer in good faith).

"*Net Income*" means, with respect to any Person, the net income (loss) of such Person, determined on a consolidated basis in accordance with GAAP and before any reduction in respect of Preferred Stock dividends.

"*Net Proceeds*" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale, net of (1) the direct costs relating to such Asset Sale, including legal, accounting and investment banking fees, and brokerage and sales commissions, any relocation expenses incurred as a result thereof, (2) taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), (3) amounts required to be applied to the repayment of principal, premium, if any, and interest on Secured Indebtedness required (other than required by clause (1) of the second paragraph of "Repurchase at the Option of Holders—Asset Sales") to be paid as a result of such transaction, (4) in the case of any Asset Sale by a Restricted Subsidiary that is not a Guarantor, payments to holders of Equity Interests in such Restricted Subsidiary (other than Equity Interests held by the Issuer or any of its Restricted Subsidiaries) to the extent that such payment is required to permit the distribution of proceeds in respect of the disposed Equity Interests in such Restricted Subsidiary held by the Issuer or any of its Restricted Subsidiaries and (5) any deduction of appropriate amounts to be provided by the Issuer or any of the Restricted Subsidiaries as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer or any of the Restricted Subsidiaries after such sale or other disposition thereof, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations (fixed or contingent) associated with such transaction.

"*Non-Minority Business*" means any business unit of the Issuer that represents 50.0% or more of the Segment Adjusted EBITDA of the Issuer and its Restricted Subsidiaries for the most recently ended four fiscal quarters for which internal financial statements are available immediately prior to the date of determination thereof.

"*Obligations*" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness; provided that Obligations with respect to the notes shall not include fees or indemnification obligations in favor of the Trustee and other third parties other than the Holders of the notes.

"*Offering Memorandum*" means the offering memorandum, dated February 4, 2020, relating to the sale of $850.0 million aggregate principal amount of the Company's 5.75% Senior Notes due 2028.

"*Officer*" means the Chairman of the Board, the Chief Executive Officer, the President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer, any Assistant Treasurer, the Controller or the Secretary of the Issuer.

"*Officer's Certificate*" means a certificate signed on behalf of the Issuer by an Officer of the Issuer that meets the requirements set forth in the Indenture.

"*Opinion of Counsel*" means a written opinion from legal counsel which is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer.

"*Pari Passu Indebtedness*" means, with respect to the Issuer or any Guarantor, Indebtedness of the Issuer or such Guarantor unless, with respect to any item of Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding or any other agreement governing the terms of such Indebtedness expressly provides that such Indebtedness shall be subordinated in right of payment to any other item of Indebtedness of the Issuer or such Guarantor. Notwithstanding the foregoing, "Pari Passu Indebtedness" shall not include:

(i) Indebtedness of the Issuer owed to any Restricted Subsidiary of the Issuer or Indebtedness of any such Restricted Subsidiary owed to the Issuer or any other Restricted Subsidiary of such Restricted Subsidiary;

(ii) Indebtedness incurred in violation of the Indenture.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of Replacement Assets or a combination of Replacement Assets and cash or Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; *provided*, that any cash or Cash Equivalents received must be applied in accordance with the "Repurchase at the Option of Holders—Asset Sales" covenant.

"*Permitted Investments*" means:

1. any Investment in the Issuer or any of its Restricted Subsidiaries;

2. any Investment in cash and Cash Equivalents;

3. any Investment by the Issuer or any of its Restricted Subsidiaries in a Person if as a result of such Investment:
    (a) such Person becomes a Restricted Subsidiary; or

    (b) such Person, in one transaction or a series of related transactions, is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary, and, in each case, any Investment held by such Person; *provided*, that such Investment was not acquired by such Person in contemplation of such acquisition, merger, consolidation or transfer;

4. any Investment in securities or other assets not constituting cash or Cash Equivalents and received in connection with an Asset Sale made pursuant to the provisions of "Repurchase at the Option of Holders—Asset Sales" or any other disposition of assets not constituting an Asset Sale;

5. any Investment existing on the Issue Date, and any extension, modification or renewal of any Investments existing on the Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other decreases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date);

6. any Investment acquired by the Issuer or any of its Restricted Subsidiaries in compromise of, or in respect of, obligations of, claims against or dispute with, any Person (other than the Issuer or any Restricted Subsidiary or Affiliate), including, but not limited to:

    (a) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable; or

    (b) as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

7. Hedging Obligations permitted under clause (10) of the covenant described under "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

8. Investments made with the net cash proceeds of, or the payment for which consists of, Equity Interests (exclusive of Disqualified Stock) of the Issuer, or any of its direct or indirect parent companies; *provided, however*, in each case, that such cash proceeds or such Equity Interests, as the case may be, will not increase the amount available for Restricted Payments under clause (3) of the first paragraph under the covenant described in "Certain Covenants—Limitation on Restricted Payments";

9. guarantees of Indebtedness permitted under the covenant described under “Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock”;

10. any transaction to the extent it constitutes an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “Certain Covenants—Transactions with Affiliates” (except transactions described in clauses (2) and (4) of such paragraph);

11. any Investment by the Issuer or any Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Financing; *provided, however,* that any Investment in a Receivables Subsidiary is in the form of a purchase money note, contribution of additional receivables or an Equity Interest;

12. additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (12) that are at that time outstanding (without giving effect to the sale of an Unrestricted Subsidiary to the extent the proceeds of such sale do not consist of cash or marketable securities), not to exceed the greater of (i) $100.0 million (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value) and (ii) 5.0% of Total Assets;

13. loans and advances to, or guarantees of Indebtedness of, officers, directors and employees in an amount not to exceed $5.0 million at any time outstanding;

14. loans and advances to officers, directors and employees for business related travel expenses, moving expenses and other similar expenses, in each case incurred in the ordinary course of business consistent with past practice;

15. advances to customers or suppliers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable, prepaid expenses or deposits on the balance sheet of the Issuer or the Restricted Subsidiaries and endorsements for collection or deposit arising in the ordinary course of business;

16. lease, utility and other similar deposits in the ordinary course of business;

17. Investments consisting of the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons, in each case in the ordinary course of business;

18. Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or purchases of contract rights or licenses or leases of intellectual property, in each case in the ordinary course of business; and

19. Investments in Unrestricted Subsidiaries having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (19) on or after the Issue Date, that are at that time outstanding, not to exceed $50.0 million (with the fair market

value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

"Permitted Liens" means, with respect to any Person:

1. pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

2. Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet overdue for a period of more than 30 days or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review and for which adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP;

3. Liens for taxes, assessments or other governmental charges not yet overdue for a period of more than 30 days or payable or subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings diligently conducted, and for which adequate reserves with respect thereto are maintained on the books of such Person in accordance with GAAP;

4. Liens to secure public or statutory obligations, surety, stay, appeal, indemnity, bid, performance and similar bonds or with respect to other regulatory requirements or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

5. survey exceptions, encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental, to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

6. Liens securing Indebtedness permitted to be incurred pursuant to clause (4) or (18) of the second paragraph under "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; *provided* that such Liens incurred pursuant to clause (18) extend only to the assets of Foreign Subsidiaries;

7. Liens existing on the Issue Date (other than Liens in favor of secured parties under the Senior Credit Facility);

8. Liens on property or shares of stock of a Person at the time such Person becomes a Subsidiary; provided, however, such Liens are not created or incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided, further, however,* that such Liens may not extend to any other property owned by the Issuer or any of its Restricted Subsidiaries;

9. Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer or any of its Restricted Subsidiaries; *provided, however,* that such Liens are not created or incurred in connection with, or in contemplation of, such acquisition; *provided, further, however,* that the Liens may not extend to any other property owned by the Issuer or any of its Restricted Subsidiaries;

10. Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary permitted to be incurred in accordance with the

    covenant described under “Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock”;

11. Liens securing Hedging Obligations;

12. Liens on specific items of inventory or other goods and proceeds of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

13. leases, subleases, licenses or sublicenses granted to others in the ordinary course of business which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries and do not secure any Indebtedness;

14. Liens arising from Uniform Commercial Code financing statement filings regarding operating leases or consignments entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

15. Liens in favor of the Issuer or any Guarantor;

16. Liens on equipment of the Issuer or any of its Restricted Subsidiaries granted in the ordinary course of business to the Issuer’s clients;

17. Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancing, refunding, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8) and (9) and any Lien permitted by clause (c) under "—Liens"; *provided, however,* that (a) such new Lien shall be limited to all or part of the same property that secured the original Lien (plus improvements on such property), and (b) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or in the case of Indebtedness described under clauses (6), (7), (8) and (9) only, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8) and (9) at the time the original Lien became a Permitted Lien under the Indenture, and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

18. deposits made in the ordinary course of business to secure liability to insurance carriers;

19. other Liens securing obligations incurred which obligations do not exceed at any one time outstanding the greater of (x) $75.0 million and (y) 3.5% of Total Assets of the Issuer and its Restricted Subsidiaries;

20. Liens securing judgments for the payment of money not constituting an Event of Default under clause (5) under the caption "Events of Default and Remedies" so long as such Liens are adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

21. Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation and exportation of goods in the ordinary course of business;

22. Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code (or any comparable or successor provision) on items in the course of collection, (ii) attaching to commodity trading accounts or other commodity brokerage accounts incurred in the ordinary course of business, and (iii) in favor of banking institutions arising as a matter of law encumbering deposits (including the right of setoff) and which are within the general parameters customary in the banking industry;

23. Liens deemed to exist in connection with Investments in repurchase agreements permitted under "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; *provided* that such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;

For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*" means any Equity Interest with preferential rights of payment of dividends or upon liquidation, dissolution, or winding up.

"*Qualified Receivables Financing*" means any transaction or series of transactions entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries sells, conveys or otherwise transfers to (i) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Restricted Subsidiaries) and (ii) any other Person (in the case of a transfer by a Receivables Subsidiary), or grants a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted.

"*Rating Agencies*" mean Moody's and S&P; *provided* that if S&P, Moody's or any Successor Rating Agency (as defined below) shall cease to be in the business of providing rating services for debt securities generally, the Issuer shall be entitled to replace any such Rating Agency or Successor Rating Agency, as the case may be, which has ceased to be in the business of providing rating services for debt securities generally with a security rating agency which is in the business of providing rating services for debt securities generally and which is nationally recognized in the United States (such rating agency, a "*Successor Rating Agency*").

"*Receivables Subsidiary*" means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or its Restricted Subsidiaries in which the Issuer or any Restricted Subsidiary of the Issuer makes an Investment and to which the Issuer or any Restricted Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Restricted Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the board of directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any of its Restricted Subsidiaries (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Issuer or any other Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or any other Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(b) with which neither the Issuer nor any of its Restricted Subsidiaries has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, and

(c) to which neither the Issuer nor any of its Restricted Subsidiaries has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the board of directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the board of directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Registration Rights Agreement*" means the Registration Rights Agreement with respect to the old notes dated as of the issue date of the old notes among the Issuer, the Guarantors and the Initial Purchasers.

"*Replacement Assets*" means (a) substantially all the assets of a business, (b) Capital Stock in any Person that results in the Issuer or another of the Restricted Subsidiaries, as the case may be, owning an amount of the Capital Stock of such Person such that it constitutes a Restricted Subsidiary or (c) any other property or assets, in the case of each of clauses (a) through (c), either (i) used or useful in a Similar Business or any other business then conducted or proposed to be conducted by the Issuer or any of its Restricted Subsidiaries or (ii) that replace the business, properties and/or assets that are the subject of such Asset Sale.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means, at any time, any direct or indirect Subsidiary of the Issuer (including any Foreign Subsidiary) that is not then an Unrestricted Subsidiary; *provided, however*, that upon the occurrence of an Unrestricted Subsidiary ceasing to be an Unrestricted Subsidiary, such Subsidiary shall be included in the definition of "Restricted Subsidiary."

"*S&P*" means Standard & Poor's Ratings Services., and any successor to its rating agency business.

"*Sale and Lease-Back Transaction*" means any arrangement providing for the leasing by the Issuer or any of its Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Secured Indebtedness*" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries secured by a Lien.

"*Secured Leverage Ratio*" means, as of the date of determination, the ratio of (a) the Secured Indebtedness (i) minus cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries as of such date of determination (determined after giving *pro forma* effect to such incurrence of Indebtedness, and each other incurrence, assumption, guarantee, redemption, retirement and extinguishment of Indebtedness as of such date of determination) and (ii) excluding any letter of credit, except to the extent obligations in respect of drawn letters of credit which have not been reimbursed within three business days and Hedging Obligations, except any unpaid termination payments thereunder to (b) EBITDA of the Issuer and its Restricted Subsidiaries for the most recently ended four fiscal quarters ending immediately prior to such date for which internal financial statements are available. For purposes of determining the "Secured Leverage Ratio," "EBITDA" shall be subject to the adjustments applicable to "EBITDA" as provided for in the definition of "Fixed Charge Coverage Ratio".

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Segment Adjusted EBITDA*" means, with respect to any Person for any period, EBITDA plus unallocated corporate expenses and overhead calculated in a manner consistent with the Issuer's audited financial statements.

"*Senior Credit Facility*" means the Credit Facility under the Third Amended and Restated Credit Agreement, dated as of March 22, 2016, as amended, by and among Griffon Corporation, Bank of America, N.A., as administrative agent, Deutsche Bank Securities Inc. and Wells Fargo Bank, National Association as co-syndication agents, BNP Paribas, Capital One, National Association and Citizens Bank, National Association, as co-documentation agents, and the other lenders party thereto, including any guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements, refundings or refinancings thereof and any indentures or credit facilities or commercial paper facilities with banks or other institutional lenders or investors that replace, refund or refinance any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount borrowable thereunder or alters the maturity thereof (provided that such increase in borrowings is permitted under "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" above).

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the Issue Date.

"*Similar Business*" means any business conducted or proposed to be conducted by the Issuer and its Restricted Subsidiaries on the Issue Date or any business that is similar, reasonably related, incidental or ancillary thereto.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in an accounts receivable securitization transaction.

"*Subordinated Indebtedness*" means, with respect to the notes or the Guarantee of a Guarantor,

1. any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the notes, and

2. any Indebtedness of any Guarantor which is by its terms subordinated in right of payment to the Guarantee of such entity of the notes or the Guarantee of a Guarantor.

"*Subsidiary*" means, with respect to any Person: (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof or is consolidated under GAAP with such Person at such time; and (2) any partnership, joint venture, limited liability company or similar entity of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership or otherwise, and (y) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Total Assets*" means the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis, as shown on the most recent consolidated balance sheet of the Issuer and its Restricted Subsidiaries and computed in accordance with GAAP. Total Assets shall be calculated after giving effect to the transaction giving rise to the need to calculate Total Assets.

"*Total Leverage Ratio*" means, as of the date of determination, the ratio of (a) the Indebtedness (i) minus cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries as of such date of determination (determined after giving *pro forma* effect to such Restricted Payment including, without limitation the incurrence of any Indebtedness to finance such Restricted Payment, and each other incurrence, assumption, guarantee, redemption, retirement and extinguishment of Indebtedness as of such date of determination) and (ii) excluding any letter of credit, except to the extent obligations in respect of drawn letters of credit which have not been reimbursed within three business days and Hedging Obligations, except any unpaid termination payments thereunder to (b) EBITDA of the Issuer and its Restricted Subsidiaries for the most recently ended four fiscal quarters ending immediately prior to such date for which internal financial statements are available. For purposes of determining the “Total Leverage Ratio,” “EBITDA” shall be subject to the adjustments applicable to “EBITDA” as provided for in the definition of “Fixed Charge Coverage Ratio”.

“*Transaction*” means the transactions contemplated by the issuance of the notes on the Issue Date and the amendments to the terms of the Senior Credit Facility as in effect on the Issue Date and the other related transactions consummated in connection with the foregoing on or shortly following the Issue Date.

“*Treasury Rate*” means, as of any Redemption Date, the yield to maturity as of such Redemption Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to March 1, 2023; provided, however, that if the period from the Redemption Date to March 1, 2023, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“*Trust Indenture Act*” means the Trust Indenture Act of 1939, as amended (15 U.S.C. §§77aaa-77bbbb).

“*Unrestricted Subsidiary*” means:

1. any Subsidiary of the Issuer which at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer, as provided below); and

2. any Subsidiary of an Unrestricted Subsidiary.

The Issuer may designate any Subsidiary of the Issuer (including any existing Subsidiary and any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on, any property of, the Issuer or any Subsidiary of the Issuer (other than solely any Subsidiary of the Subsidiary to be so designated); *provided* that

1. any Unrestricted Subsidiary must be an entity of which the Equity Interests entitled to cast at least a majority of the votes that may be cast by all Equity Interests having ordinary voting power for the election of directors or Persons performing a similar function are owned, directly or indirectly, by the Issuer;

2. such designation complies with the covenants described under "Certain Covenants—Limitation on Restricted Payments"; and

3. each of:

   (a) the Subsidiary to be so designated; and

   (b) its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary.

The Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that, immediately after giving effect to such designation, no Default shall have occurred and be continuing and the Issuer could incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described in the first paragraph under "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

Any such designation by the Issuer shall be notified by the Issuer to the Trustee by promptly filing with the Trustee a copy of the resolution of the board of directors of the Issuer or any committee thereof giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness, Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing:

1. the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment; by

2. the sum of all such payments.

"Wholly-Owned Subsidiary" of any Person means a Subsidiary of such Person, 100% of the outstanding Equity Interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.

Exhibit 21

Name of Subsidiary	Jurisdiction of Incorporation
Clopay Ames Inc.	Delaware
Clopay Ames LLC	Delaware
Clopay Ames Holding Corp.	Delaware
Clopay Corporation	Delaware
CornellCookson, LLC	Delaware
Cornell Real Estate Holdings, LLC	Arizona
Cornell Storefront Systems, Inc.	Delaware
CC Installation Company, Inc.	Delaware
The Ames Companies, Inc.	Delaware
ATT Southern, Inc.	Delaware
1346039 Alberta ULC	Canada
Garant GP	Canada
Griffon Australia Holdings PTY Ltd	Australia
AMES Australasia Pty Ltd.	Australia
Northcote Pots Australia Pty Ltd.	Australia
Northcote Imports Pty Ltd.	Australia
Ames New Zealand Ltd.	New Zealand
Ames True Temper Australia Pty Ltd.	Australia
The Ames Companies UK Ltd.	United Kingdom
Altia Holdings Limited	United Kingdom
Kelkay Limited	United Kingdom
La Hacienda Limited	United Kingdom
Vatre Group Limited	United Kingdom
Vatre Terracotta Limited	United Kingdom
ClosetMaid LLC	Delaware
Comercializadora ClosetMaid S. de R.L. de C.V.	Mexico
ClosetMaid Reynosa S. de R.L. de C.V.	Mexico
ClosetMaid (Jiangmen) Storage Limited	China
Gritel Holding Company, Inc.	Delaware
Telephonics Corporation	Delaware
Systems Engineering Group, Inc.	Maryland

The names of certain subsidiaries which do not, when considered in the aggregate, constitute a significant subsidiary, have been omitted.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated November 12, 2020, with respect to the consolidated financial statements, schedule and internal control over financial reporting included in the Annual Report of Griffon Corporation on Form 10-K for the year ended September 30, 2020. We consent to the incorporation by reference of said report in the Registration Statements of Griffon Corporation's Form S-3 (File No. 333-224727), Forms S-4 (File No. 333-239373; and File No. 333-237166) and Forms S-8 (File No. 333-236181; File No. 333-222844; File No. 333-209222; File No. 333-193691; and File No. 333-172162).

/s/ GRANT THORNTON LLP

New York, New York
November 12, 2020

Exhibit 31.1

Certification

I, Ronald J. Kramer, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2020

/s/ Ronald J. Kramer

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

Exhibit 31.2

Certification

I, Brian G. Harris, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2020

/s/ Brian G. Harris

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

Exhibit 32

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

In connection with the annual report on Form 10-K of Griffon Corporation (the "Company") for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald J. Kramer, as Chief Executive Officer of Griffon, and Brian G. Harris, as Chief Financial Officer of Griffon, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

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

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

/s/ Ronald J. Kramer

Name:	Ronald J. Kramer
Title:	Chief Executive Officer
	(Principal Executive Officer)
Date:	November 12, 2020

/s/ Brian G. Harris

Name:	Brian G. Harris
Title:	Chief Financial Officer
	(Principal Financial Officer)
Date:	November 12, 2020

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.