GRIFFON CORP
Form 10-Q
July 30, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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

For the transition period from to

Commission File Number: 1-06620

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

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

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

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

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

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

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

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

The number of shares of common stock outstanding at June 30, 2014 was 53,708,690.

Griffon Corporation and Subsidiaries

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Part I – Financial Information
Item 1 – Financial Statements

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

	(Unaudited) June 30, 2014	September 30, 2013
CURRENT ASSETS		
Cash and equivalents	$87,437	$178,130
Accounts receivable, net of allowances of $7,176 and $6,136	269,669	256,215
Contract costs and recognized income not yet billed, net of progress payments of $16,985 and $6,941	104,877	109,828
Inventories, net	278,462	230,120
Prepaid and other current assets	74,290	48,903
Assets of discontinued operations	1,209	1,214
Total Current Assets	815,944	824,410
PROPERTY, PLANT AND EQUIPMENT, net	365,376	353,593
GOODWILL	381,315	357,730
INTANGIBLE ASSETS, net	235,092	221,391
OTHER ASSETS	30,491	28,580
ASSETS OF DISCONTINUED OPERATIONS	3,032	3,075
Total Assets	$1,831,250	$1,788,779
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	$11,886	$10,768
Accounts payable	181,052	163,610
Accrued liabilities	103,721	106,743
Liabilities of discontinued operations	2,959	3,288
Total Current Liabilities	299,618	284,409
LONG-TERM DEBT, net of debt discount of $10,532 and $13,246	797,180	678,487
OTHER LIABILITIES	162,103	170,675
LIABILITIES OF DISCONTINUED OPERATIONS	4,008	4,744
Total Liabilities	1,262,909	1,138,315
COMMITMENTS AND CONTINGENCIES - See Note 19		
SHAREHOLDERS' EQUITY		
Total Shareholders' Equity	568,341	650,464
Total Liabilities and Shareholders' Equity	$1,831,250	$1,788,779

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

(in thousands)	COMMON STOCK SHARES	COMMON STOCK PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY SHARES SHARES	TREASURY SHARES COST	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	Total
Balance at September 30, 2013	77,616	$19,404	$494,412	$434,363	18,527	$(274,602)	$ (3,339)	$ (19,774)	$650,464
Net loss	—	—	—	(8,125)	—	—	—	—	(8,125)
Dividend	—	—	—	(4,841)	—	—	—	—	(4,841)
Tax effect from exercise/vesting of equity awards, net	—	—	273	—	—	—	—	—	273
Amortization of deferred compensation	—	—	—	—	—	—	—	1,586	1,586
Common stock acquired	—	—	—	—	6,237	(72,518)	—	—	(72,518)
Stock grants and equity awards, net	857	214	302	—	—	—	—	—	516
ESOP purchase of common stock	—	—	—	—	—	—	—	(10,000)	(10,000)
ESOP allocation of common stock	—	—	225	—	—	—	—	—	225
Stock-based compensation	—	—	8,133	—	—	—	—	—	8,133
Other comprehensive income, net of tax	—	—	—	—	—	—	2,628	—	2,628
Balance at June 30, 2014	78,473	$19,618	$503,345	$421,397	24,764	$(347,120)	$ (711)	$ (28,188)	$568,341

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Revenue	$505,039	$509,826	$1,466,184	$1,422,318
Cost of goods and services	386,732	401,515	1,132,387	1,110,840
Gross profit	118,307	108,311	333,797	311,478
Selling, general and administrative expenses	96,135	86,345	273,437	254,623
Restructuring and other related charges	358	1,604	1,892	12,048
Total operating expenses	96,493	87,949	275,329	266,671
Income from operations	21,814	20,362	58,468	44,807
Other income (expense)				
Interest expense	(11,661)	(13,279)	(37,184)	(39,446)
Interest income	120	142	181	321
Loss from debt extinguishment, net	—	—	(38,890)	—
Other, net	2,621	607	4,310	1,515
Total other expense, net	(8,920)	(12,530)	(71,583)	(37,610)
Income (loss) before taxes	12,894	7,832	(13,115)	7,197
Provision (benefit) for income taxes	(1,570)	4,229	(4,990)	3,855
Net income (loss)	$14,464	$3,603	$(8,125)	$3,342
Basic income (loss) per common share	$0.30	$0.07	$(0.16)	$0.06
Weighted-average shares outstanding	48,370	54,265	50,038	54,588
Diluted income (loss) per common share	$0.29	$0.06	$(0.16)	$0.06
Weighted-average shares outstanding	49,836	56,204	50,038	56,735
Dividends paid per common share	$0.03	$0.025	$0.09	$0.075
Net income (loss)	$14,464	$3,603	$(8,125)	$3,342
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	2,809	(7,884)	896	(10,805)
Pension and other post retirement plans	317	490	1,732	4,839
Gain (loss) on cash flow hedge	—	(158)	—	13
Total other comprehensive income (loss), net of taxes	3,126	(7,552)	2,628	(5,953)
Comprehensive income (loss), net	$17,590	$(3,949)	$(5,497)	$(2,611)

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

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

	Nine Months Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(8,125)	$3,342
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	50,027	52,787
Stock-based compensation	8,133	9,327
Asset impairment charges - restructuring	191	3,122
Provision for losses on accounts receivable	420	824
Amortization of deferred financing costs and debt discounts	4,789	4,651
Loss from debt extinguishment, net	38,890	—
Deferred income taxes	(314)	(897)
(Gain) loss on sale/disposal of assets	78	(788)
Change in assets and liabilities, net of assets and liabilities acquired:		
(Increase) decrease in accounts receivable and contract costs and recognized income not yet billed	7,443	(81,381)
(Increase) decrease in inventories	(33,195)	36,588
(Increase) decrease in prepaid and other assets	(3,439)	2,890
Decrease in accounts payable, accrued liabilities and income taxes payable	(15,754)	(28,767)
Other changes, net	712	856
Net cash provided by operating activities	49,856	2,554
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(54,859)	(45,886)
Acquired businesses, net of cash acquired	(62,306)	—
Proceeds from sale of assets	491	1,326
Investment purchases	(8,402)	—
Net cash used in investing activities	(125,076)	(44,560)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	584	—
Dividends paid	(4,841)	(4,384)
Purchase of shares for treasury	(72,518)	(25,689)
Proceeds from long-term debt	682,913	303
Payments of long-term debt	(602,134)	(12,842)
Change in short-term borrowings	3,138	2,408
Financing costs	(10,928)	(759)
Purchase of ESOP shares	(10,000)	—
Tax benefit from exercise/vesting of equity awards, net	273	150
Other, net	194	261
Net cash used in financing activities	(13,319)	(40,552)

CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash used in operating activities	(1,018)	(486)
Net cash used in discontinued operations	(1,018)	(486)
Effect of exchange rate changes on cash and equivalents	(1,136)	(506)
NET DECREASE IN CASH AND EQUIVALENTS	(90,693)	(83,550)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	178,130	209,654
CASH AND EQUIVALENTS AT END OF PERIOD	$87,437	$126,104

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

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

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

About Griffon Corporation

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

Griffon currently conducts its operations through three segments:

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

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

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

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

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all the information and footnotes required by U.S. GAAP for complete financial statements. As such, they should be read with reference to Griffon's Annual Report on Form 10-K for the year ended September 30, 2013, which provides a more complete explanation of Griffon's accounting policies, financial position, operating results, business properties and other matters. In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. Griffon's HBP operations are seasonal; for this and other reasons, the financial results of the Company for any interim period are not necessarily indicative of the results for the full year.

The condensed consolidated balance sheet information at September 30, 2013 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2013.

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

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

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

NOTE 2 – FAIR VALUE MEASUREMENTS

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

The fair values of Griffon's senior notes due 2022 and 2017 4% convertible notes approximated $594,000 and $113,400, respectively, on June 30, 2014. Fair values were based upon quoted market prices (level 1 inputs).

Items Measured at Fair Value on a Recurring Basis

Insurance contracts with values of $3,594 (level 2 inputs) at June 30, 2014, are measured and recorded at fair value based upon quoted prices in active markets for similar assets. Trading securities with values of $11,160 (level 1 inputs) at June 30, 2014, are measured and recorded at fair value based upon quoted prices in active markets for identical assets.

At June 30, 2014, Griffon had $4,172 and $1,750 of Australian dollar contracts and Canadian dollar contracts, respectively, at a weighted average rate of $1.06 and $1.07, respectively. The contracts, which protect Australia and Canada operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting and a fair value loss of $192 and $125 was recorded in Other assets and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs), for the quarter and nine months ended June 30, 2014, respectively. All contracts expire in 24 to 114 days.

NOTE 3 – ACQUISITIONS

On May 21, 2014, Ames acquired the Australian Garden and Tools business of Illinois Tool Works, Inc. ("Cyclone") for approximately $40,000, including a $4,000 working capital adjustment. Cyclone, which was integrated with Ames, offers a full range of quality garden and hand tool products sold under various leading brand names including Cyclone®, Nylex® and Trojan®, designed to meet the requirements of both the Do-it-Yourself and professional trade segments. Cyclone is expected to generate approximately $65,000 of annualized revenue. Selling, General and Administrative ("SG&A") expenses in the current quarter included $1,600 of acquisition costs.

On December 31, 2013, Ames acquired Northcote Pottery ("Northcote"), founded in 1897 and a leading brand in the Australian outdoor planter and decor market, for approximately $22,000. Northcote complements Southern Patio, acquired in 2011, and adds to Ames' existing lawn and garden operations in Australia. Northcote, which was integrated with Ames, is expected to generate approximately $28,000 of annualized revenue. First quarter 2014 SG&A expenses included $798 of acquisition costs.

The accounts of the acquired companies, after adjustment to reflect fair market values (level 3 inputs) assigned to assets purchased, have been included in the consolidated financial statements from the date of acquisition; in each instance, acquired inventory was not significant. Griffon is in the process of finalizing the adjustments to the purchase price, if any, for Cyclone and Northcote, primarily related to working capital, and gathering data as of the closing date to complete the purchase price allocation; accordingly, management has used their best estimates in the initial purchase price allocation as of the date of these financial statements.

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

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	Cyclone	Northcote	Total
Current Assets, net of cash acquired	$23,936	$7,921	$31,857
PP&E	491	1,376	1,867
Goodwill	10,072	11,617	21,689
Amortizable intangible assets	9,844	6,023	15,867
Indefinite life intangible assets	1,874	1,686	3,560
Total assets acquired	46,217	28,623	74,840
Total liabilities assumed	(6,692)	(6,842)	(13,534)
Net assets acquired	$39,525	$21,781	$61,306

The amounts assigned to major intangible asset classifications, none of which are tax deductible, for the Cyclone and Northcote acquisitions are as follows:

	Cyclone	Northcote	Total	Amortization Period (Years)
Goodwill	$10,072	$11,617	21,689	N/A
Tradenames	1,874	1,686	3,560	Indefinite
Customer relationships	9,844	6,023	15,867	25
	$21,790	$19,326	41,116	

NOTE 4 – INVENTORIES

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

The following table details the components of inventory:

	At June 30, 2014	At September 30, 2013
Raw materials and supplies	$71,533	$65,560
Work in process	69,884	63,930
Finished goods	137,045	100,630
Total	$278,462	$230,120

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

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

	At June 30, 2014	At September 30, 2013
Land, building and building improvements	$131,270	$130,905
Machinery and equipment	715,805	661,094
Leasehold improvements	38,792	35,884
	885,867	827,883
Accumulated depreciation and amortization	(520,491)	(474,290)
Total	$365,376	$353,593

Depreciation and amortization expense for property, plant and equipment was $14,766 and $15,781 for the quarters ended June 30, 2014 and 2013, respectively, and $44,163 and $46,846 for the nine months ended June 30, 2014 and 2013, respectively. Depreciation included in SG&A expenses was $2,507 and $3,128 for the quarters ended June 30, 2014 and 2013, respectively,

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and $7,743 and $9,402 for the nine months ended June 30, 2014 and 2013, respectively. The remaining components of depreciation, attributable to manufacturing operations, are included in Cost of goods and services.

No event or indicator of impairment occurred during the quarter ended June 30, 2014, which would require additional impairment testing of property, plant and equipment.

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NOTE 6 – GOODWILL AND OTHER INTANGIBLES

The following table provides changes in the carrying value of goodwill by segment during the nine months ended June 30, 2014:

	At September 30, 2013	Goodwill from 2014 acquisitions	Other adjustments including currency translations	At June 30, 2014
Home & Building Products	$269,802	$21,689	$948	$292,439
Telephonics	18,545	—	—	18,545
Plastics	69,383	—	948	70,331
Total	$357,730	$21,689	$1,896	$381,315

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

	At June 30, 2014			At September 30, 2013	
	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$183,152	$34,543	25	$166,985	$29,049
Unpatented technology	6,708	3,290	13	6,804	2,916
Total amortizable intangible assets	189,860	37,833		173,789	31,965
Trademarks	83,065	—		79,567	—
Total intangible assets	$272,925	$37,833		$253,356	$31,965

Amortization expense for intangible assets was $2,028 and $1,969 for the quarters ended June 30, 2014 and 2013, respectively, and $5,864 and $5,941 for the nine months ended June 30, 2014 and 2013, respectively.

No event or indicator of impairment occurred during the quarter ended June 30, 2014, which would require impairment testing of long-lived intangible assets including goodwill.

NOTE 7 – INCOME TAXES

The Company reported pretax income for the quarter and a pretax loss for the nine months ended June 30, 2014, compared to pretax income for the quarter and nine months ended June 30, 2013. The Company recognized tax benefits of 12.2% and 38.0% for the quarter and nine months ended June 30, 2014, respectively, compared to provisions of 54.0% and 53.6%, respectively, in the comparable prior year periods. The current and prior year tax rates reflect the impact of permanent differences not deductible in determining taxable income, mainly limited deductibility of restricted stock, tax reserves and changes in earnings mix between domestic and non-domestic operations, which are material relative to the level of pretax results and the impact of discrete items reported.

The quarter and nine months ended June 30, 2014 include $1,860 and $1,540, respectively, of benefits from discrete items resulting primarily from the conclusion of tax audits, the filing of tax returns in various jurisdictions, the release of previously established reserves for uncertain tax positions and the impact of tax law changes enacted in the second quarter of 2014. The comparable prior year periods included $1,495 and $1,859, respectively, of benefits from discrete items, primarily resulting from the release of previously established reserves for uncertain tax positions on conclusion of tax audits, benefits arising on the filing of tax returns in various jurisdictions and the retroactive extension of the federal R&D credit signed into law January 2, 2013.

Excluding discrete items, the effective tax rates for the quarter and nine months ended June 30, 2014 were a provision of 27.0% and a benefit of 26.3%, respectively, compared to provisions of 73.1% and 79.4% in the comparable prior year periods, respectively.

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

NOTE 8 – LONG-TERM DEBT

		At June 30, 2014					At September 30, 2013				
		Outstanding Balance	Original Issuer Discount	Balance Sheet	Capitalized Fees & Expenses	Coupon Interest Rate (1)	Outstanding Balance	Original Issuer Discount	Balance Sheet	Capitalized Fees & Expenses	Coupon Interest Rate (1)
Senior notes due 2018	(a)	$—	$—	$—	$—	n/a	$550,000	$—	$550,000	$7,328	7.10 %
Senior notes due 2022	(a)	600,000	—	600,000	9,529	5.25 %	—	—	—	—	n/a
Revolver due 2019	(a)	25,000	—	25,000	2,122	n/a	—	—	—	2,425	n/a
Convert. debt due 2017	(b)	100,000	(10,532)	89,468	1,145	4.00 %	100,000	(13,246)	86,754	1,478	4.00 %
Real estate mortgages	(c)	16,603	—	16,603	612	n/a	13,212	—	13,212	185	n/a
ESOP Loans	(d)	29,583	—	29,583	233	n/a	21,098	—	21,098	24	n/a
Capital lease - real estate	(e)	8,798	—	8,798	188	5.00 %	9,529	—	9,529	207	5.00 %
Non U.S. lines of credit	(f)	7,754	—	7,754	—	n/a	4,606	—	4,606	—	n/a
Non U.S. term loans	(f)	30,612	—	30,612	189	n/a	3,115	—	3,115	27	n/a
Other long term debt	(g)	1,248	—	1,248	27	n/a	941	—	941	—	n/a
Totals		819,598	(10,532)	809,066	$14,045		702,501	(13,246)	689,255	$11,674	
less: Current portion		(11,886)	—	(11,886)			(10,768)	—	(10,768)		
Long-term debt		$807,712	$(10,532)	$797,180			$691,733	$(13,246)	$678,487		

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		Three Months Ended June 30, 2014					Three Months Ended June 30, 2013				
		Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense	Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Deferred Cost & Other Fees	Total Interest Expense
Senior notes due 2018	(a)	n/a	$—	$—	$—	$—	7.4 %	$9,797	$—	$406	$10,203
Senior notes due 2022	(a)	5.5 %	7,875	—	310	8,185	n/a	—	—	—	—
Revolver due 2019	(a)	n/a	309	—	144	453	n/a	179	—	131	310
Convert. debt due 2017	(b)	9.1 %	1,000	921	112	2,033	9.1 %	1,000	846	110	1,956
Real estate mortgages	(c)	3.8 %	124	—	35	159	4.9 %	133	—	22	155
ESOP Loans	(d)	2.9 %	192	—	25	217	2.8 %	151	—	2	153
Capital lease - real estate	(e)	5.3 %	112	—	5	117	5.3 %	125	—	6	131
Non U.S. lines of credit	(f)	n/a	307	—	27	334	n/a	155	—	—	155
Non U.S. term loans	(f)	n/a	273	—	13	286	n/a	109	—	26	135
Other long term debt	(g)	n/a	6	—	9	15	n/a	272	—	—	272
Capitalized interest			(138)	—	—	(138)		(191)	—	—	(191)
Totals											