Bancorp, Inc.
Form 4
March 04, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
McGraw Donald F JR

(Last) (First) (Middle)

DONALD F. MCGRAW, JR., C/O THE BANCORP, 405 SILVERSIDE ROAD

(Street)

WILMINGTON, DE 19809

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Bancorp, Inc. [TBBK]

3. Date of Earliest Transaction (Month/Day/Year)
02/28/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Ex. VP & Chief Credit Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/28/2005		P		200	A	$ 14.1	15,887	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
McGraw Donald F JR DONALD F. MCGRAW, JR., C/O THE BANCORP 405 SILVERSIDE ROAD WILMINGTON, DE 19809			Ex. VP & Chief Credit Officer	

Signatures

Donald F. McGraw Jr.	03/04/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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2014

2013

2014

2013
Service cost

$
123

$
85

$
38

$
34

$
32

$
39

Interest cost

491

221

133

122

124

110

Expected return on plan assets

(670
)

(363
)

(131
)

(116

)

—

—

Amortization of net actuarial loss (gain)

37

217

—

—

(2
)

49

Amortization of prior service cost (benefit)

11

9

46

(353
)

—

(25
)
Foreign currency

—

—

98

(56
)

—

—

Net periodic (benefit) cost

$
(8
)

$
169

$
184

$
(369
)

$
154

$
173

12

	Nine Months Ended September 30 Pension Benefits U.S. Plans		Non-U.S. Plans		Postretirement Medical Benefits	
	2014	2013	2014	2013	2014	2013
Service cost	$370	$517	$114	$100	$96	$115
Interest cost	1,473	1,352	399	365	373	332
Expected return on plan assets	(2,012)	(2,183)	(391)	(347)	—	—
Amortization of net actuarial loss	111	1,313	—	—	—	150
Amortization of prior service cost (benefit)	32	55	139	(192)	(5)	(77)
Foreign currency	—	—	114	(27)	—	—
Net periodic (benefit) cost	$(26)	$1,054	$375	$(101)	$464	$520

11. Commitments and Contingencies

Certain operating leases for vehicles contain residual value guarantee provisions, which would become due at the expiration of the operating lease agreement if the fair value of the leased vehicles is less than the guaranteed residual value. As of September 30, 2014, of those leases that contain residual value guarantees, the aggregate residual value at lease expiration was $11,909, of which we have guaranteed $9,668. As of September 30, 2014, we have recorded a liability for the estimated end of term loss related to this residual value guarantee of $261 for certain vehicles within our fleet. Our fleet also contains vehicles we estimate will settle at a gain. Gains on these vehicles will be recognized at the end of the lease term.

During the second quarter of 2014, we entered into a three year software licensing agreement with a total commitment of $1,198.

During the second quarter of 2012, we entered into a three year agreement with a supplier, commencing January 1, 2013, with a total commitment of $2,102 of which $911 is still outstanding as of September 30, 2014.

12. Accumulated Other Comprehensive Loss

Components of Accumulated Other Comprehensive Loss, net of tax, within the Condensed Consolidated Balance Sheets, are as follows:

	September 30, 2014	December 31, 2013
Foreign currency translation adjustments	$(27,096)	$(21,991)
Pension and retiree medical benefits	(2,893)	(2,980)
Total Accumulated Other Comprehensive Loss	$(29,989)	$(24,971)

The changes in components of Accumulated Other Comprehensive Loss, net of tax, are as follows:

	Foreign Currency Translation Adjustments	Pension and Post Retirement Benefits	Total
December 31, 2013	$(21,991)	$(2,980)	$(24,971)
Other comprehensive income before reclassifications	(5,105)	—	(5,105)
Amounts reclassified from Accumulated Other Comprehensive Loss	—	87	87
Net current period other comprehensive income	(5,105)	87	(5,018)
September 30, 2014	$(27,096)	$(2,893)	$(29,989)

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13. Income Taxes

We and our subsidiaries are subject to U.S. federal income tax as well as income tax of numerous state and foreign jurisdictions. We are generally no longer subject to U.S. federal tax examinations for taxable years before 2011 and, with limited exceptions, state and foreign income tax examinations for taxable years before 2007.

We recognize potential accrued interest and penalties related to unrecognized tax benefits in Income Tax Expense. In addition to the liability of $3,527 for unrecognized tax benefits as of September 30, 2014, there was approximately $615 for accrued interest and penalties. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of September 30, 2014 was $3,224. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be revised and reflected as an adjustment of the Income Tax Expense.

Unrecognized tax benefits were reduced by $326 during the first nine months of 2014 for expiration of the statute of limitations in various jurisdictions.

We are currently undergoing income tax examinations in various state and foreign jurisdictions covering 2007 to 2011. Although the final outcome of these examinations cannot be currently determined, we believe that we have adequate reserves with respect to these examinations.

14. Share-Based Compensation

Our share-based compensation plans are described in Note 15 of our 2013 annual report on Form 10-K. During the three months ended September 30, 2014 and 2013 we recognized total Share-Based Compensation Expense of $1,505 and $1,667, respectively. During the nine months ended September 30, 2014 and 2013 we recognized total Share-Based Compensation Expense of $5,261 and $5,106, respectively. The total excess tax benefit recognized for share-based compensation arrangements during the nine months ended September 30, 2014 and 2013 was $1,620 and $2,944, respectively.

During the first nine months of 2014, we granted 20,868 restricted shares. The weighted average grant date fair value of each share awarded was $62.18. Restricted share awards generally have a three year vesting period from the effective date of the grant. The total fair value of shares vested during the nine months ended September 30, 2014 and 2013 was $827 and $643, respectively.

15. Earnings Per Share

The computations of Basic and Diluted Earnings per Share were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Numerator:				
Net Earnings	$11,792	$10,617	$33,110	$29,930
Denominator:				
Basic - Weighted Average Shares Outstanding	18,120,729	18,267,828	18,201,291	18,288,083
Effect of dilutive securities:				
Share-based compensation plans	514,558	543,810	526,527	535,662
Diluted - Weighted Average Shares Outstanding	18,635,287	18,811,638	18,727,818	18,823,745
Basic Earnings per Share	$0.65	$0.58	$1.82	$1.64
Diluted Earnings per Share	$0.63	$0.56	$1.77	$1.59

Excluded from the dilutive securities shown above were options to purchase 81,874 and 147,737 shares of Common Stock during the three months ended September 30, 2014 and 2013, respectively. Excluded from the dilutive securities shown above were options to purchase 85,765 and 251,576 shares of Common Stock during the nine months ended September 30, 2014 and 2013, respectively. These exclusions were made as the effects were anti-dilutive.

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16. Segment Reporting

We are organized into four operating segments: North America; Latin America; Europe, Middle East and Africa; and Asia Pacific. We combine our North America and Latin America operating segments into the "Americas" for reporting Net Sales by geographic area. In accordance with the objective and basic principles of the applicable accounting guidance, we aggregate our operating segments into one reportable segment that consists of the design, manufacture and sale of products used primarily in the maintenance of nonresidential surfaces.

Net Sales attributed to each geographic area for the three and nine months ended September 30, 2014 and 2013 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Americas	$142,149	$130,037	$418,236	$382,877
Europe, Middle East and Africa	40,610	37,436	124,946	116,465
Asia Pacific	19,884	21,068	62,524	57,529
Total	$202,643	$188,541	$605,706	$556,871

Net Sales are attributed to each geographic area based on the country from which the product was shipped and are net of intercompany sales.

17. Related Party Transactions

On July 31, 2012, we entered into a share purchase agreement with M&F, as further discussed in Note 4. Two of the M&F shareholders are individuals who were employed by Tennant prior to the transaction date and were no longer employed by Tennant as of the transaction date.

Our May 31, 2011 acquisition of Water Star includes installment payments totaling $1,500, all of which have been paid to the former owners of Water Star, as further discussed in Note 4. As of September 30, 2013, the former owners of Water Star were no longer employees of Tennant.

During the first quarter of 2008, we acquired Sociedade Alfa Ltda. and entered into lease agreements for certain properties owned by or partially owned by the former owners of this entity. Some of these individuals are current employees of Tennant. Lease payments made under these lease agreements are not material to our financial position or results of operations.

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

Overview

Tennant Company is a world leader in designing, manufacturing and marketing solutions that help create a cleaner, safer, healthier world. Our products include equipment for maintaining surfaces in industrial, commercial and outdoor environments; chemical-free and other sustainable cleaning technologies; and coatings for protecting, repairing and upgrading floors and other surfaces. We sell our products through our direct sales and service organization and a network of authorized distributors worldwide. Geographically, our customers are located in North America, Latin America, Europe, the Middle East, Africa and Asia Pacific. We strive to be an innovator in our industry through our commitment to understanding our customers' needs and using our expertise to create innovative products and solutions.

Net Earnings for the third quarter of 2014 were $11.8 million, or $0.63 per diluted share, as compared to Net Earnings of $10.6 million, or $0.56 per diluted share, in the third quarter of 2013. Operating Profit for the third quarter of 2014 was $17.1 million, or 8.4% of Net Sales, as compared to Operating Profit of $16.2 million, or 8.6% of Net Sales, in the third quarter of 2013. Operating Profit during the third quarter of 2014 was favorably impacted by higher Net Sales and lower Research and Development ("R&D") Expense, somewhat offset by higher Selling and Administrative ("S&A") Expense.

Net Earnings for the first nine months of 2014 were $33.1 million, or $1.77 per diluted share, as compared to Net Earnings of $29.9 million, or $1.59 per diluted share, in the first nine months of 2013. Operating Profit for the first nine months of 2014 was $49.5 million, or 8.2% of Net Sales, as compared to Operating Profit of $44.7 million, or 8.0% of Net Sales, in the first nine months of 2013. Operating Profit during the first nine months of 2014 was favorably impacted by higher Net Sales and lower R&D Expense, somewhat offset by higher S&A Expense and a lower Gross Margin as a percentage of Net Sales. Net Earnings during the first nine months of 2013 were favorably impacted by a tax benefit of $0.6 million related to the 2012 R&D tax credit which was retroactively enacted in January of 2013. Included in the S&A Expense in the first nine months of 2013 was a restructuring charge of $1.4 million, or 30 basis points as a percentage of Net Sales.

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Net Earnings for the third quarter of 2013 were $10.6 million, or $0.56 per diluted share, as compared to Net Earnings of $8.7 million, or $0.46 per diluted share, in the third quarter of 2012. Net Earnings during the third quarter of 2013 were favorably impacted by higher Net Sales somewhat offset by increased R&D Expense. The third quarter of 2012 included a gain on sale of business that did not reoccur in the third quarter of 2013.

Net Earnings for the first nine months of 2013 were $29.9 million, or $1.59 per diluted share, as compared to Net Earnings of $27.7 million, or $1.45 per diluted share, in the first nine months of 2012. Net Earnings during the first nine months of 2013 were favorably impacted by a tax benefit of $0.6 million related to the 2012 R&D tax credit which was retroactively enacted in January of 2013. Included in the lower S&A Expense in the first nine months of 2013 was a restructuring charge of $1.4 million, or 30 basis points as a percentage of Net Sales.

Historical Results

The following table compares the historical results of operations for the three and nine months ended September 30, 2014 and 2013, respectively, and as a percentage of Net Sales (in thousands, except per share data and percentages):

	Three Months Ended September 30				Nine Months Ended September 30			
	2014	%	2013	%	2014	%	2013	%
Net Sales	$202,643	100.0	$188,541	100.0	$605,706	100.0	$556,871	100.0
Cost of Sales	115,480	57.0	106,679	56.6	346,363	57.2	314,745	56.5
Gross Profit	87,163	43.0	81,862	43.4	259,343	42.8	242,126	43.5
Operating Expense:								
Research and Development Expense	6,844	3.4	7,970	4.2	21,976	3.6	23,309	4.2
Selling and Administrative Expense	63,215	31.2	57,663	30.6	187,885	31.0	174,083	31.3
Total Operating Expense	70,059	34.6	65,633	34.8	209,861	34.6	197,392	35.4
Profit from Operations	17,104	8.4	16,229	8.6	49,482	8.2	44,734	8.0
Other Income (Expense):								
Interest Income	84	—	67	—	254	—	295	0.1
Interest Expense	(396)	(0.2)	(440)	(0.2)	(1,301)	(0.2)	(1,318)	(0.2)
Net Foreign Currency Transaction Losses	(276)	(0.1)	(303)	(0.2)	(156)	—	(1,046)	(0.2)
Other Expense, Net	(162)	(0.1)	(157)	(0.1)	(282)	—	(238)	—
Total Other Expense, Net	(750)	(0.4)	(833)	(0.4)	(1,485)	(0.2)	(2,307)	(0.4)
Profit Before Income Taxes	16,354	8.1	15,396	8.2	47,997	7.9	42,427	7.6
Income Tax Expense	4,562	2.3	4,779	2.5	14,887	2.5	12,497	2.2
Net Earnings	$11,792	5.8	$10,617	5.6	$33,110	5.5	$29,930	5.4
Earnings per Diluted Share	$0.63		$0.56		$1.77		$1.59	

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Net Sales

Consolidated Net Sales for the third quarter of 2014 totaled $202.6 million, a 7.5% increase as compared to consolidated Net Sales of $188.5 million in the third quarter of 2013. Consolidated Net Sales for the first nine months of 2014 totaled $605.7 million, an 8.8% increase as compared to consolidated Net Sales of $556.9 million for the first nine months of 2013.

The components of the consolidated Net Sales change for the three and nine months ended September 30, 2014 as compared to the same period in 2013 were as follows:

	2014 v. 2013	
	Three Months Ended September 30	Nine Months Ended September 30
Organic Growth:		
Volume	6.5%	7.8%
Price	1.0%	1.0%
Organic Growth	7.5%	8.8%
Foreign Currency	0.0%	0.0%
Total	7.5%	8.8%

The 7.5% increase in consolidated Net Sales in the third quarter of 2014 as compared to the same period in 2013 was driven by:

- An organic sales increase of approximately 7.5%, which excludes the effects of foreign currency exchange (and acquisitions when applicable), due to an approximate 6.5% volume increase and a 1.0% price increase. The volume increase was primarily due to increased sales to strategic accounts and through distribution, continued demand for new products, such as the T12 and T17 rider scrubbers and walk-behind burnishers, and gains in commercial and outdoor equipment. Sales of new products introduced since the 2012 fourth quarter were 13% of equipment sales in the third quarter of 2014. The price increase was the result of selling list price increases, typically in the range of 2 percent to 4 percent in most geographies, with an effective date of March 1, 2014. We expect the increase in selling prices to increase Net Sales in the range of 1 percent to 2 percent for the 2014 full year. The impact to gross margin is estimated to be minimal as these selling price increases were taken to offset inflation.

The 8.8% increase in consolidated Net Sales in the first nine months of 2014 as compared to the same period in 2013 was driven by:

- An organic sales increase of approximately 8.8%, which excludes the effects of foreign currency exchange (and acquisitions when applicable), due to an approximate 7.8% volume increase and a 1.0% price increase. The volume increase was primarily due to strong sales through distribution and to strategic accounts, continued demand for new products such as the T12 rider scrubber, and gains in commercial, industrial and outdoor equipment. Sales of new products introduced since the 2012 fourth quarter were 10% of equipment sales in the first nine months of 2014. The price increase was the result of selling list price increases, typically in the range of 2 percent to 4 percent in most geographies, with an effective date of March 1, 2014. We expect the increase in selling prices to increase Net Sales in the range of 1 percent to 2 percent for the 2014 full year. The impact to gross margin is estimated to be minimal as these selling price increases were taken to offset inflation.

The following table sets forth the Net Sales by geographic area for the three and nine months ended September 30, 2014 and 2013 and the percentage change from the prior year (in thousands, except percentages):

	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	%	2014	2013	%
Americas	$142,149	$130,037	9.3	$418,236	$382,877	9.2
Europe, Middle East and Africa	40,610	37,436	8.5	124,946	116,465	7.3
Asia Pacific	19,884	21,068	(5.6)	62,524	57,529	8.7
Total	$202,643	$188,541	7.5	$605,706	$556,871	8.8

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Explanation of Responses:

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Americas

Net Sales in the Americas were $142.1 million and $418.2 million for the third quarter and first nine months of 2014, an increase of 9.3% and 9.2%, respectively, from the third quarter and first nine months of 2013. Organic sales in the third quarter and first nine months of 2014 were favorably impacted by higher sales of scrubbers in North America, including scrubbers equipped with ec-H2O™ technology and walk-behind burnishers. The direct impact of foreign currency translation exchange effects within the Americas unfavorably impacted Net Sales by approximately 0.5% during the third quarter and 1.0% during the first nine months of 2014. Organic sales increased approximately 9.8% in the third quarter and 10.2% in the first nine months of 2014.

Europe, Middle East and Africa

In our markets within Europe, the Middle East and Africa (“EMEA”), Net Sales increased 8.5% and 7.3% to $40.6 million and $124.9 million, respectively, for the third quarter and first nine months of 2014, compared to the third quarter and first nine months of 2013. Organic sales increased approximately 6.5% in the third quarter driven by higher sales of outdoor equipment and sales to strategic accounts and distributors. Organic sales increased approximately 3.3% in the first nine months of 2014 due primarily to higher sales of outdoor equipment. There was a favorable foreign currency exchange impact on Net Sales during the third quarter and first nine months of 2014 of approximately 2.0% and 4.0%, respectively.

Asia Pacific

Net Sales in the Asia Pacific market for the third quarter and first nine months of 2014 totaled $19.9 million and $62.5 million, respectively, a decrease of 5.6% and an increase of 8.7% from the third quarter and first nine months of 2013, respectively. Organic sales decreased approximately 5.1% in the third quarter of 2014 due primarily to economic uncertainties in the key markets of Australia, Japan and China. These uncertainties lengthened sales cycles, which adversely impacted the timing of orders and shipments. Organic sales increased approximately 11.7% in the first nine months of 2014 due primarily to strong sales performance in China. Direct foreign currency translation exchange effects unfavorably impacted sales by approximately 0.5% and 3.0% in the third quarter and first nine months of 2014, respectively.

Gross Profit

Gross profit in the third quarter of 2014 was $87.2 million, or 43.0% of Net Sales, as compared to $81.9 million, or 43.4% of Net Sales, in the third quarter of 2013. Gross profit dollars increased 6.5% versus the prior year period due to the higher Net Sales in the third quarter of 2014. Gross margin was 40 basis points lower versus the prior year period primarily due to costs related to hiring and training additional manufacturing employees and temporary workers to support the higher levels of production.

Gross profit in the first nine months of 2014 was $259.3 million, or 42.8% of Net Sales, as compared to $242.1 million, or 43.5% of Net Sales, in the first nine months of 2013. Gross profit dollars increased 7.1% versus the prior year period due to the higher Net Sales in the first nine months of 2014. Gross margin was 70 basis points lower versus the prior year period primarily due to strong sales through distribution and sales to strategic accounts that tend to have lower gross margins and costs related to hiring and training additional manufacturing employees to support the higher levels of production.

Operating Expense

Research & Development Expense

R&D Expense in the third quarter of 2014 decreased by 14.1% to $6.8 million as compared with $8.0 million in the third quarter of 2013. R&D Expense as a percentage of Net Sales was 3.4% for the third quarter of 2014, a decrease of 80 basis points as compared to 4.2% in the third quarter of 2013.

R&D Expense for the first nine months of 2014 was $22.0 million, a decrease of 5.7% from $23.3 million in the same period in 2013. R&D Expense as a percentage of Net Sales was 3.6% for the first nine months of 2014, a decrease of 60 basis points as compared to 4.2% for the first nine months of 2013.

We continued to invest in developing innovative new products for our traditional core business, as well as in our Orbio Technologies Group, which is focused on advancing a suite of sustainable cleaning technologies. New products are a key driver of sales growth. Ten new products were launched in the first nine months of 2014, including a line of walk-behind burnishers, a mid-size battery-powered rider scrubber, and a mid-size rider sweeper with optimized dust control. There are plans to introduce an additional six new products in the last quarter of the year.

Selling & Administrative Expense

S&A Expense in the third quarter of 2014 was $63.2 million, as compared to $57.7 million in the third quarter of 2013. S&A Expense as a percentage of Net Sales was 31.2% for the third quarter of 2014, an increase of 60 basis points from 30.6% in the comparable 2013 quarter.

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For the nine months ended September 30, 2014, S&A Expense increased to $187.9 million from $174.1 million in the comparable period last year. S&A Expense as a percentage of Net Sales was 31.0% for the first nine months of 2014 versus 31.3% in the comparable period last year. Included in S&A Expense in the first nine months of 2013 was the first quarter 2013 restructuring charge, described in Note 3, of $1.4 million, or 30 basis points as a percentage of Net Sales.

The increase in S&A Expense in the third quarter and first nine months of 2014 as compared to the same periods in the prior year was primarily due to investments in direct sales, distribution and marketing to build organic sales. This was somewhat offset by continued cost controls and improved operating efficiencies that favorably impacted S&A Expense in the first nine months of 2014.

Other Income (Expense), Net

Interest Income

There was no significant change in Interest Income in the third quarter and first nine months of 2014 as compared to the same periods in 2013.

Interest Expense

There was no significant change in Interest Expense in the third quarter and first nine months of 2014 as compared to the same periods in 2013.

Net Foreign Currency Transaction Losses

Net Foreign Currency Transaction Losses in the third quarter and first nine months of 2014 were $0.3 million and $0.2 million, respectively, as compared to Net Foreign Currency Transaction Losses of $0.3 million and $1.0 million in the same periods in the prior year. The favorable change in the impact from foreign currency transactions in 2014 was due to fluctuations in foreign currency rates and settlement of transactional hedging activity in the normal course of business.

Other Expense, Net

There was no significant change in Other Expense, Net in the third quarter and first nine months of 2014 as compared to the same periods in 2013.

Income Taxes

The effective tax rate in the third quarter of 2014 was 27.9% compared to the effective rate in the third quarter of the prior year of 31.0%.

The year-to-date overall effective rate was 31.0% for 2014 compared to 29.5% for 2013. The tax expense for the first nine months of 2013 included a $0.4 million tax benefit associated with a $1.4 million expense related to a European restructuring reserve. The tax expense for the first nine months of 2013 also included a discrete tax benefit of $0.6 million for the enactment of the Federal R&D tax credit retroactively impacting the tax year ended December 31, 2012. Excluding these benefits, the 2013 year-to-date overall effective tax rate would have been 30.8%.

The increase in the overall year-to-date effective tax rate to 31.0% in 2014 compared to 30.8% in 2013, excluding the 2013 special items, was primarily related to the mix in expected full year taxable earnings by country and changes related to the Federal R&D tax credits. The 2014 third quarter and first nine months year-to-date tax rate did not include any benefit for Federal R&D tax credits as we are not allowed to consider these credits in our tax rate until they are formally reenacted.

We do not have any plans to repatriate the undistributed earnings of non-U.S. subsidiaries. Any repatriation from foreign subsidiaries that would result in incremental U.S. taxation is not being considered. It is management's belief that reinvesting these earnings outside the U.S. is the most efficient use of capital.

Liquidity and Capital Resources

Liquidity

Cash and Cash Equivalents totaled $79.8 million at September 30, 2014, as compared to $81.0 million as of December 31, 2013. Wherever possible, cash management is centralized and intercompany financing is used to provide working capital to subsidiaries as needed. Our current ratio was 2.4 as of September 30, 2014 and 2.4 as of December 31, 2013, and our working capital was $189.7 million and $183.8 million, respectively. Our debt-to-capital ratio was 9.3% and 10.8% at September 30, 2014 and December 31, 2013, respectively.

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Cash Flow Summary

Cash provided by (used for) our operating, investing and financing activities is summarized as follows (in thousands):

	Nine Months Ended September 30	
	2014	2013
Operating Activities	$36,825	$36,808
Investing Activities:		
Purchases of Property, Plant and Equipment, Net of Disposals	(13,241)	(11,283)
Acquisition of Business, Net of Cash Acquired	—	(750)
Proceeds from Sale of Business	1,418	3,520
Increase in Restricted Cash	(12)	(224)
Financing Activities	(24,708)	(17,044)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,482)	342
Net Increase (Decrease) in Cash and Cash Equivalents	$(1,200)	$11,369

Operating Activities

Operating activities provided $36.8 million of cash for the nine months ended September 30, 2014. Cash provided by operating activities was driven primarily from Net Earnings of $33.1 million and an increase in Accounts Payable and payment of Employee Compensation and Benefits liabilities of $5.9 million and $1.8 million, respectively, partially offset by an increase in Inventories and Accounts Receivable of $21.7 million and $6.1 million, respectively.

Operating activities provided $36.8 million of cash for the nine months ended September 30, 2013. Cash provided by operating activities was driven primarily from Net Earnings of $29.9 million and an increase in Accounts Payable of $2.8 million partially offset by increases in Inventories, increases in Accounts Receivable and payment of Employee Compensation and Benefits liabilities. The increase in Accounts Payable was due to higher production levels and timing of payments.

Management evaluates how effectively we utilize two of our key operating assets, Accounts Receivable and Inventories, using Accounts Receivable “Days Sales Outstanding” (DSO) and “Days Inventory on Hand” (DIOH), on a FIFO basis. The metrics are calculated on a rolling three month basis in order to more readily reflect changing trends in the business. These metrics for the quarters ended were as follows (in days):

	September 30, 2014	December 31, 2013	September 30, 2013
DSO	65	61	65
DIOH	90	81	82

As of September 30, 2014, DSO was the same as compared to September 30, 2013 and increased 4 days as compared to December 31, 2013. The increase is primarily due to the variety of terms offered and mix of business having a larger unfavorable impact than the favorable trend of continued proactive management of our receivables by enforcing tighter credit limits and continuing to successfully collect past due balances.

As of September 30, 2014, DIOH increased 8 days as compared to September 30, 2013 and 9 days as compared to December 31, 2013 primarily due to increased levels of inventory in support of higher sales levels and the launches of many new products somewhat offset by progress from inventory reduction initiatives.

Investing Activities

Investing activities during the nine months ended September 30, 2014 used $11.8 million in cash. Net capital expenditures used $13.2 million. This was partially offset by continued proceeds of $1.4 million from the sale of a business in 2012, as described in Note 4. Capital expenditures included investments in tooling related to new product development, and manufacturing and information technology process improvement projects.

Investing activities during the nine months ended September 30, 2013 used $8.7 million in cash. Net capital expenditures used $11.3 million and the installment payment to the former owners of Water Star used $0.8 million. This was partially offset by proceeds of $3.5 million from the sale of a business as described in Note 4. Capital expenditures included investments in tooling related to new product development and manufacturing and also information technology process improvement projects.

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Financing Activities

Net cash used by financing activities was $24.7 million during the first nine months of 2014. The purchases of our Common Stock per our authorized repurchase program used $13.6 million, dividend payments used $10.9 million, the payment of Long-Term Debt used $2.0 million and the repayment of Short-Term borrowings used $1.5 million, partially offset by proceeds from the issuance of Common Stock of $1.7 million and the excess tax benefit on stock plans of $1.6 million.

Net cash used by financing activities was $17.0 million during the first nine months of 2013. The purchases of our Common Stock per our authorized repurchase program used $16.6 million, dividend payments used $9.9 million and the payment of Long-Term Debt used $0.9 million, partially offset by proceeds from the issuance of Common Stock of $6.0 million, the excess tax benefit on stock plans of $2.9 million and the Short-Term Borrowings of $1.5 million.

Indebtedness

As of September 30, 2014, we had committed lines of credit totaling $125.0 million and uncommitted lines of credit totaling $87.5 million. There were $10.0 million in outstanding borrowings under our JPMorgan facility (described below) and $18.0 million in outstanding borrowings under our Prudential facility (described below) as of September 30, 2014. In addition, we had stand alone letters of credit of $2.5 million outstanding and bank guarantees in the amount of $0.2 million. Commitment fees on unused lines of credit for the nine months ended September 30, 2014 were $0.2 million.

Our most restrictive covenants are part of our 2011 Credit Agreement with JPMorgan (as defined below), which are the same covenants in the Shelf Agreement (as defined below) with Prudential (as defined below), and require us to maintain an indebtedness to EBITDA ratio of not greater than 3.00 to 1 and to maintain an EBITDA to interest expense ratio of no less than 3.50 to 1 as of the end of each quarter. As of September 30, 2014, our indebtedness to EBITDA ratio was 0.35 to 1 and our EBITDA to interest expense ratio was 50.81 to 1.

Credit Facilities

JPMorgan Chase Bank, National Association

Details regarding our Credit Agreement, dated as of May 5, 2011 and amended on April 25, 2013, with JPMorgan Chase Bank, N. A. (“JPMorgan”), as administrative agent and collateral agent, U.S. Bank National Association, as syndication agent, Wells Fargo Bank, National Association, and RBS Citizens, N.A., as co-documentation agents, and the Lenders (including JPMorgan) from time to time party thereto (the “2011 Credit Agreement”) are described in Note 8 of the 2013 annual report on Form 10-K.

As of September 30, 2014, we were in compliance with all covenants under this credit agreement. There were $10.0 million in outstanding borrowings under this facility at September 30, 2014, with a weighted average interest rate of 1.46%. This facility, under the current terms of the 2011 Credit Agreement, expires on March 1, 2018.

Prudential Investment Management, Inc.

Details regarding our Private Shelf Agreement, dated as of July 29, 2009, and amended on May 5, 2011 and July 24, 2012 with Prudential Investment Management, Inc. (“Prudential”) and Prudential affiliates from time to time party thereto (the “Shelf Agreement”) are described in Note 8 of the 2013 annual report on Form 10-K.

As of September 30, 2014, there were $18.0 million in outstanding borrowings under this facility, consisting of the $8.0 million Series A notes issued in March 2011 with a fixed interest rate of 4.00% and a 7 year term serially maturing from 2014 to 2018 and the $10.0 million Series B notes issued in June 2011 with a fixed interest rate of 4.10% and a 10 year term serially maturing from 2015 to 2021. The first payment of $2.0 million on Series A notes was made during the first quarter of 2014. We were in compliance with all covenants under this private shelf agreement as of September 30, 2014. The issuance period, under the current terms of the Shelf Agreement, expires on July 24, 2015.

The Royal Bank of Scotland Citizens, N.A.

On September 14, 2010, we entered into an overdraft facility with The Royal Bank of Scotland Citizens, N.A. in the amount of 2.0 million Euros, or approximately $2.5 million. There was no balance outstanding on this facility as of September 30, 2014.

HSBC Bank (China) Company Limited, Shanghai Branch

On June 20, 2012, we entered into a banking facility with the HSBC Bank (China) Company Limited, Shanghai Branch in the amount of $5.0 million. During the first quarter of 2014, we repaid previous borrowings under this facility amounting to $1.5 million and, as of September 30, 2014, there were no outstanding borrowings on this facility.

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Contractual Obligations

During the second quarter of 2014, we entered into a three year software licensing agreement with a total commitment of $1.2 million.

Except as noted above, there have been no material changes with respect to contractual obligations as disclosed in our 2013 annual report on Form 10-K.

Newly Issued Accounting Guidance

Revenue from Contracts with Customers

In May 2014, the FASB issued guidance on revenue from contracts with customers that will replace most of the existing revenue recognition guidance, including industry-specific guidance when it becomes effective. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. This guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This guidance is effective for the interim and annual periods beginning on or after December 15, 2016. Early adoption is not permitted. This guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method and are currently evaluating the impact of the guidance on our results of operations or financial position and related disclosures.

No other new accounting pronouncements issued during 2014 but not yet effective have had, or are expected to have, a material impact on our results of operations or financial position.

Cautionary Statement Relevant to Forward-Looking Information

This Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "project," or "continue" or similar words or the negative thereof statements do not relate to strictly historical or current facts and provide current expectations of forecasts of future events. Any such expectations or forecasts of future events are subject to a variety of factors. Particular risks and uncertainties presently facing us include: geopolitical and economic uncertainty throughout the world; the competition in our business; our ability to attract and retain key personnel; our ability to successfully upgrade, evolve and protect our information technology systems; our ability to effectively manage organizational changes; our ability to develop and commercialize new innovative products and services; our ability to comply with laws and regulations; fluctuations in the cost or availability of raw materials and purchased components; unforeseen product liability claims or product quality issues; the occurrence of a significant business interruption; and the relative strength of the U.S. dollar, which affects the cost of our materials and products purchased and sold internationally. We caution that forward-looking statements must be considered carefully and that actual results may differ in material ways due to risks and uncertainties both known and unknown. Information about factors that could materially affect our results can be found in Part I, Item 1A. Risk Factors in our annual report on Form 10-K for the year ended December 31, 2013 and Part II, Item 1A of this Form 10-Q. Shareholders, potential investors and other readers are urged to consider these factors in evaluating forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Investors are advised to consult any further disclosures by us in our filings with the Securities and Exchange Commission and in other written statements on related subjects. It is not possible to anticipate or foresee all risk factors, and investors should not consider any list of such factors to be an exhaustive or complete list of all risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risk since December 31, 2013. For additional information, refer to Item 7A of our 2013 annual report on Form 10-K for the year ended December 31, 2013.

Explanation of Responses:

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Principal Financial and Accounting Officer, have evaluated the effectiveness of our disclosure controls and procedures for the period ended September 30, 2014 (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and our Principal Financial and Accounting Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and our principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings other than ordinary routine litigation incidental to the Company's business.

Item 1A. Risk Factors

We documented our risk factors in Item 1A of Part I of our annual report on Form 10-K for our fiscal year ended December 31, 2013. There have been no material changes to our risk factors since the filing of that report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 25, 2012, the Board of Directors authorized the repurchase of 1,000,000 shares of our common stock. Share repurchases are made from time to time in the open market or through privately negotiated transactions, primarily to offset the dilutive effect of shares issued through our share-based compensation programs. Our credit agreements and Shelf Agreement restrict the payment of dividends or repurchasing of stock if, after giving effect to such payments, our leverage ratio is greater than 2.00 to 1, in such case limiting such payments to an amount ranging from $50.0 million to $75.0 million during any fiscal year.

For the Quarter Ended September 30, 2014	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2014	686	$75.02	—	413,069
August 1 - 31, 2014	—	—	—	413,069
September 1 - 30, 2014	—	—	—	413,069
Total	686	$75.02	—	413,069

(1) Includes 686 shares delivered or attested to in satisfaction of the exercise price and/or tax withholding obligations by employees who exercised stock options or restricted stock under employee share-based compensation plans.

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Item 6. Exhibits

Item #	Description	Method of Filing
3i	Restated Articles of Incorporation	Incorporated by reference to Exhibit 3i to the Company’s report on Form 10-Q for the quarterly period ended June 30, 2006.
3ii	Certificate of Designation	Incorporated by reference to Exhibit 3.1 to the Company’s Form 10-K for the year ended December 31, 2006.
3iii	Amended and Restated By-Laws	Incorporated by reference to Exhibit 3iii to the Company’s Form 8-K dated December 14, 2010.
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO	Filed herewith electronically.
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO	Filed herewith electronically.
32.1	Section 1350 Certification of CEO	Filed herewith electronically.
32.2	Section 1350 Certification of CFO	Filed herewith electronically.
101	The following financial information from Tennant Company's Quarterly Report on Form 10-Q for the period ended September 30, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Statements of Earnings for the three and nine months ended September 30, 2014 and 2013; (ii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013; (iii) Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013; and (v) Notes to the Condensed Consolidated Financial Statements.	Filed herewith electronically.

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SIGNATURES

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

TENNANT COMPANY

Date: October 29, 2014

/s/ H. Chris Killingstad
H. Chris Killingstad
President and Chief Executive Officer

Date: October 29, 2014

/s/ Thomas Paulson
Thomas Paulson
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)