

TENNANT CO
Form 10-K/A
March 25, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

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

For the fiscal year ended December 31, 2000. Commission File Number 0-4804

TENNANT COMPANY

Incorporated in the State of Minnesota

Employer Identification Number 41-0572550

701 North Lilac Drive, P.O. Box 1452, Minneapolis, Minnesota 55440

Telephone Number 763-540-1208

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

Common Stock, par value \$.375 per share

and

Preferred Share Purchase Rights

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

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

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

Edgar Filing: TENNANT CO - Form 10-K/A

10-K/A or any amendment to this Form 10-K/A.

ý

\$388,928,053.80 is aggregate market value of common stock held by non-affiliates as of March 5, 2001.

9,065,922 shares outstanding at March 5, 2001

DOCUMENTS INCORPORATED BY REFERENCE

2001 Proxy Part III (Partial)

TENNANT COMPANY

2000

ANNUAL REPORT

FORM 10-K/A

(Pursuant to Securities Exchange Act of 1934)

Tennant Company announced in February 2003 that due to a technical accounting interpretation brought to the Company's attention by its auditors, the Company is restating its financial statements to recognize revenues and earnings associated with the sales of its equipment to a U.S. third party lessor, that occurred between 1998 and 2002, over the lease period for operating lease transactions and, for short term rental transactions, at the time the customer converts the short term rental to an outright purchase or long term capital lease of the equipment. Previously, revenues and earnings associated with these sales were recognized at the time of shipment. The original contract between the Company and the U.S. third party lessor included retained ownership risk provisions that were determined to preclude operating lease and short-term rental transactions from meeting the criteria for sale treatment under Statement of Financial Accounting Standards No. 13. The effect of the correction to the timing of the revenue recognition on these transactions in the 1998-2000 consolidated financial statements includes a reduction in previously reported net earnings of \$0.5 million and \$1.7 million and net earnings per share diluted of \$0.05 and \$0.18 for the years ended December 31, 2000 and 1998, respectively and an increase in previously reported net earnings of \$0.1 million and net earnings per share diluted of \$0.01 for the year ended December 31, 1999. The consolidated financial statements as of December 31, 2000 and 1999 and for the three years ended December 31, 2000, 1999 and 1998 and notes thereto included in this Form 10-K/A have been restated to include the effects of the correction to the timing of this revenue recognition.

On February 4, 2003, the Company amended the agreement with the third party lessor to eliminate the retained ownership risk provisions for operating leases which will result in revenue recognition for future operating lease transactions at the time of shipment. The amendment to the agreement is retroactive to the beginning of the agreement, therefore, the Company expects to recognize the remaining unrecognized revenue and earnings for past operating lease transactions in the first quarter of 2003.

This amendment to the Company's Annual Report on FORM 10-K for the fiscal year ended December 31, 2000 amends and restates those items of the FORM 10-K originally filed on March 30, 2001 (the Original Filing) which have been affected by the restatement. In order to preserve the nature and character of the disclosures set forth in such items as originally filed, no attempt has been made in this amendment to update any disclosures not impacted by the restatement. Except as required to reflect the effects of the restatement, all information contained in this amendment is stated as of the date of the Original Filing. For additional information regarding the restatement, see Notes to Consolidated Financial Statements Restated included in Item 8.

PART I

ITEM 1 Business

General Development of Business

Edgar Filing: TENNANT CO - Form 10-K/A

Tennant Company, a Minnesota corporation incorporated in 1909, is a Minneapolis-based company that specializes in the design, manufacture, and sale of non-residential floor maintenance and outdoor cleaning equipment and related products.

Tennant's shares have traded on the NASDAQ Market System under the symbol TANT since 1969. As of October 30, 2000, Tennant's shares began trading on the New York Stock Exchange (NYSE) under the symbol TNC.

Industry Segments, Foreign and Domestic Operations and Export Sales

The Company, as described under General Development of Business, has one business segment. The Company sells its products domestically and internationally. Financial information on the Company's geographic areas are provided under Segment Reporting in Note 18 included in Item 8. Nearly all of the Company's foreign investment in assets reside within Australia, Canada, Japan, Spain, The Netherlands, the United Kingdom, France, and Germany. While subject to increases or decreases in value over time due to foreign exchange rate movements, these investments are considered to be of low business risk.

Principal Products, Markets and Distribution

Products consisting mainly of motorized cleaning equipment and related products, including floor cleaning and preservation products, are sold through a direct sales organization and independent distributors in North America, primarily through a direct sales organization in Australia, France, Spain, The Netherlands, Germany, and the United Kingdom, and through independent distributors in more than 40 foreign countries. Tennant is headquartered in Minneapolis, Minnesota, and also has manufacturing operations in Holland, Michigan; Uden, The Netherlands; and Waldhausen, Germany. The Company has announced its plans to close the Waldhausen, Germany, manufacturing operation and transfer the related production to a contract manufacturer in the Czech Republic in 2001.

Raw Materials and Purchased Components

The Company has not experienced any significant or unusual problems in the purchase of raw materials or other product components and is not disproportionately dependent upon any single source or supply. The Company has some sole-source vendors for certain components, primarily for automotive and plastic parts. A disruption in supply from such vendors may cause a short-term disruption in the Company's operations. However, the Company believes that it can find alternate sources in the event there is a disruption in supply from such vendors.

Patents and Trademarks

The Company applies for and is granted United States and foreign patents and trademarks in the ordinary course of business, no one of which is of material importance in relation to the business as a whole.

Seasonality

Although the Company's business is not seasonal in the traditional sense, revenues and earnings tend to be more concentrated in the fourth quarter of each year reflecting the tendency of customers to increase capital spending during such quarter, and the Company's efforts to close orders and reduce order backlogs.

Major Customers

The Company sells its products to a wide variety of customers, no one of which is of material importance in relation to the business as a whole.

Backlog

The Company routinely fills orders within 30 days on average. Consequently, order backlogs are generally not indicative of future sales levels.

Competition

While there is no industry association or industry data, the Company believes, through its own market research, that it is a world-leading manufacturer of floor maintenance equipment. Active competition exists in most geographic areas; however, it tends to originate from different sources in each area, and the Company's market share is believed to exceed that of the leading competitor in many areas. The Company competes primarily on the basis of offering a broad line of high-quality, innovative products supported by an extensive sales/service network in major markets.

Product Research and Development

The Company regularly commits what is believed to be an above-average amount of resources to product research and development. In 2000, 1999 and 1998, respectively, the Company spent \$15,916,000, \$15,385,000 and \$14,224,000 on research and development activities relating to the development of new products or improvements of existing products or manufacturing processes.

Environmental Protection

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, and is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position.

Employment

The Company employed 2,391 persons in worldwide operations as of December 31, 2000.

ITEM 2 Properties

The Company's corporate offices are owned by the company and are located in the Minneapolis, Minnesota metropolitan area. Manufacturing facilities are located in Minnesota, Michigan, Germany and The Netherlands. The Company has announced its plans to close the Waldhausen, Germany, manufacturing operation and transfer the related production to a contract manufacturer in the Czech Republic in 2001. Sales offices, warehouse and storage facilities are leased in various locations in North America, Europe, Japan, and Australia. The Company's facilities are in good operating condition, suitable for their respective uses and adequate for current needs. Notes 5 and 14 of the Notes to the Financial Statements included in Item 8 contain further information regarding the Company's property and lease commitments.

ITEM 3 Legal Proceedings

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

ITEM 4 Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of the Registrant

Richard M. Adams, Vice President

Richard M. Adams (53) joined the Company in 1974. He was elected Assistant Controller in 1983 and was named Corporate Controller in 1986. Mr. Adams was named Vice President, Global Accounts in 1993 and Vice President, New Business Development in 1999. Mr. Adams is a Certified Public Accountant. Mr. Adams is a director of Tennant UK Limited, Tennant Holding B.V., Tennant Europe B.V., and Tennant Import B.V.

Anthony T. Brausen, Vice President, Chief Financial Officer and Treasurer

Edgar Filing: TENNANT CO - Form 10-K/A

Anthony T. Brausen (41) joined the Company in March 2000 as Vice President and Chief Financial Officer. He was named also as Treasurer in February 2001. Mr. Brausen is a director of Tennant N.V., Tennant Sales and Service Company, Tennant Finance Company, and Tennant Sales and Service Finance Company.

Janet M. Dolan, President and Chief Executive Officer

Janet M. Dolan (51) joined the Company in 1986. Ms. Dolan was appointed General Counsel and Secretary in 1987, Vice President in 1990, Senior Vice President in 1995, Executive Vice President in 1996, President and Chief Operating Officer and a director in 1998. Ms. Dolan was named Chief Executive Officer in 1999. She is a director of Tennant Sales and Service Company, Tennant Finance Company, and Tennant Sales and Service Finance Company. She is also director of Donaldson Company, Inc. and a member of the NYSE Listed Company Advisory Committee.

Thomas J. Dybsky, Vice President

Thomas J. Dybsky (51) joined the Company in 1998 as Vice President of Human Resources. Mr. Dybsky is a director of Tennant N.V.

James H. Moar, Chief Operating Officer

James H. Moar (52) joined the Company in 1998 as Senior Vice President of Industrial Markets. He was named Chief Operating Officer in 1999. Mr. Moar is a director of Tennant Sales and Service Company, Tennant Finance Company, and Tennant Sales and Service Finance Company.

Dean A. Niehus, Corporate Controller and Principal Accounting Officer

Dean A. Niehus (43) joined the Company in 1998. Mr. Niehus is a director of Tennant Company Far East Headquarters Pte Ltd.

Keith D. Payden, Vice President

Keith D. Payden (53) joined the Company in 1981. He was named Director, Information Services in 1987, Chief Information Officer in 1992, and Vice President in 1993.

James J. Seifert, Vice President, General Counsel and Secretary

Edgar Filing: TENNANT CO - Form 10-K/A

James J. Seifert (44) joined the company in 1999 as Vice President , General Counsel and Secretary. Mr. Seifert is a director of Tennant UK Limited, Tennant Holding B.V., Tennant Europe B.V., Tennant, Import B.V., Tennant N.V., Tennant Sales and Service Company, Tennant Finance Company, and Tennant Sales and Service Finance Company.

Thomas J. Vander Bie, Senior Vice President

Thomas J. Vander Bie (49) was named Senior Vice President of Tennant Company in August 1999. From 1974-1999, Mr. Vander Bie was President of Castex Incorporated, which became a subsidiary of Tennant Company in 1994.

Steven K. Weeks, Vice President

Steven K. Weeks (45) joined the Company in 1984. He was named Manager, Global New Business and Marketing Development in 1993; Director of Marketing in 1994; Vice President, Customer Solutions in 1996; and Vice President, Global Marketing in 1999.

PART II

ITEM 5 Market for Registrant's Common Equity and Related Stockholder Matters

Investor Information

STOCK MARKET INFORMATION Tennant common stock is traded on the New York Stock Exchange, under the ticker symbol TNC. As of December 31, 2000, there were approximately 3,500 shareholders of record.

QUARTERLY PRICE RANGE (UNAUDITED) The accompanying chart shows the quarterly price range of the Company's shares over the past five years:

| | First | Second | Third | Fourth |
|------|----------------|----------------|----------------|----------------|
| 1996 | \$ 21.25-25.00 | \$ 23.50-26.50 | \$ 22.00-26.00 | \$ 22.50-27.50 |
| 1997 | \$ 26.13-28.75 | \$ 26.75-33.25 | \$ 33.25-37.50 | \$ 36.00-39.63 |
| 1998 | \$ 34.75-41.13 | \$ 40.75-44.81 | \$ 37.00-44.50 | \$ 33.00-41.25 |
| 1999 | \$ 31.44-45.00 | \$ 32.00-38.50 | \$ 32.63-37.25 | \$ 32.00-35.63 |
| 2000 | \$ 28.25-34.50 | \$ 30.50-38.00 | \$ 33.75-44.25 | \$ 39.00-53.38 |

DIVIDEND INFORMATION Cash dividends on Tennant's common stock have been paid for 57 consecutive years, and the Company has increased dividends in each of the last 29 years. Dividends generally are declared each quarter. Following are the remaining record dates anticipated for 2001: June 1, 2001 August 31, 2001 November 30, 2001

ITEM 6 Selected Financial Data**TENNANT COMPANY AND SUBSIDIARIES**

Historical Progress Review

(Dollars and shares in thousands, except per share data)

| Years ended December 31 | 2000 Restated | 1999 Restated | 1998 Restated | 1997 | 1996 |
|--|------------------|------------------|------------------|---------|---------|
| Net sales | \$ 452,176 | 429,739 | 383,765 | 372,428 | 344,433 |
| Cost of sales | \$ 269,658 | 255,528 | 223,369 | 217,570 | 204,165 |
| Gross margin % | 40.4 | 40.5 | 41.8 | 41.6 | 40.7 |
| Selling and administrative expenses | \$ 139,665 | 136,076 | 125,806 | 118,770 | 108,637 |
| % of net sales | 30.9 | 31.7 | 32.8 | 31.9 | 31.5 |
| Profit from operations | \$ 42,853 | 31,464(a) | 34,590 | 36,088 | 31,631 |
| % of net sales | 9.5 | 7.3 | 9.0 | 9.7 | 9.2 |
| Other income (expense) | \$ 359 | (770) | 1,732 | 1,542 | 698 |
| Income tax expense | \$ 15,470 | 10,939 | 12,713 | 13,425 | 11,302 |
| % of profit before income taxes | 35.8 | 35.6 | 35.0 | 35.7 | 35.0 |
| Net earnings | \$ 27,742 | 19,755(a) | 23,609 | 24,205 | 21,027 |
| % of net sales | 6.1 | 4.6 | 6.2 | 6.5 | 6.1 |
| Return on beginning shareholders' equity % | 20.7 | 15.2 | 16.7 | 18.8 | 18.4 |

PER SHARE DATA

| | | | | | |
|-------------------------------|----------|---------|-------|-------|-------|
| Basic net earnings | \$ 3.05 | 2.17(a) | 2.49 | 2.43 | 2.09 |
| Diluted net earnings | \$ 3.04 | 2.16(a) | 2.49 | 2.41 | 2.09 |
| Cash dividends | \$.78 | .76 | .74 | .72 | .69 |
| Shareholders' equity (ending) | \$ 16.88 | 14.94 | 14.20 | 13.82 | 12.93 |

YEAR-END FINANCIAL POSITION

| | | | | | |
|--|------------|---------|---------|---------|---------|
| Cash and cash equivalents | \$ 21,512 | 14,928 | 17,693 | 16,279 | 9,881 |
| Total current assets | \$ 173,220 | 166,745 | 153,069 | 143,105 | 126,481 |
| Property, plant and equipment, net | \$ 69,054 | 67,388 | 67,302 | 65,111 | 65,384 |
| Total assets | \$ 268,472 | 261,269 | 243,000 | 233,870 | 219,180 |
| Current liabilities excluding current debt | \$ 57,594 | 65,362 | 54,044 | 53,738 | 45,724 |
| Current ratio excluding current debt | 3.0 | 2.6 | 2.8 | 2.7 | 2.8 |
| Long-term liabilities excluding long-term debt | \$ 31,081 | 30,616 | 27,802 | 22,801 | 18,908 |
| Debt: | | | | | |

Edgar Filing: TENNANT CO - Form 10-K/A

| | | | | | | |
|--|----|-------------|-------------|-------------|-------------|-------------|
| Current | \$ | 15,274 | 14,191 | 7,969 | 2,377 | 3,864 |
| Long-term | \$ | 11,736 | 16,839 | 23,635 | 20,678 | 21,824 |
| Total debt as% of total capital | | 15.0 | 18.8 | 19.6 | 14.7 | 16.6 |
| Shareholders equity | \$ | 152,787 | 134,261 | 129,550 | 134,086 | 128,860 |
| CASH FLOW INCREASE (DECREASE) | | | | | | |
| Related to operating activities | \$ | 38,866 | 37,603 | 42,890 | 41,892 | 44,566 |
| Related to investing activities | \$ | (19,251) | (25,343) | (17,221) | (15,490) | (17,240) |
| Related to financing activities | \$ | (12,680) | (14,665) | (24,290) | (20,434) | (22,024) |
| OTHER DATA | | | | | | |
| Interest income | \$ | 2,532 | 2,847 | 3,771 | 4,699 | 4,259 |
| Interest expense | \$ | 1,886 | 2,665 | 2,303 | 2,021 | 2,491 |
| Depreciation and amortization expense | \$ | 18,766 | 19,028 | 17,590 | 17,468 | 16,387 |
| Net expenditures for property, plant and equipment | \$ | 18,251 | 16,362 | 17,221 | 16,424 | 17,581 |
| Number of employees at year-end | | 2,471 | 2,266 | 2,127 | 2,019 | 1,950 |
| Diluted average shares outstanding(c) | | 9,135 | 9,140 | 9,500 | 10,032 | 10,076 |
| Closing share price at year-end(c) | \$ | 48.00 | 32.75 | 40.13 | 36.38 | 27.50 |
| Common stock price range during year(c) | \$ | 28.25-53.38 | 31.44-45.00 | 33.00-44.81 | 26.13-39.63 | 21.25-27.50 |
| Closing price/earnings ratio | | 15.8 | 15.2 | 16.1 | 15.1 | 13.2 |

(a) 1999 includes pretax restructuring charges of \$6,671 (\$4,308 net of taxes \$.47 per share)

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The Management's Discussion and Analysis of Financial Condition and Results of Operations presented below reflects the impact of the restatements to our previously reported consolidated financial statements as of December 31, 2000 and 1999 and for the three years ended December 31, 2000, 1999 and 1998.

Tennant Company announced in February 2003 that due to a technical accounting interpretation brought to the Company's attention by its auditors, the Company is restating its financial statements to recognize revenues and earnings associated with the sales of its equipment to a U.S. third party lessor, that occurred between 1998 and 2002, over the lease period for operating lease transactions and, for short term rental transactions, at the time the customer converts the short term rental to an outright purchase or long term capital lease of the equipment. Previously, revenues and earnings associated with these sales were recognized at the time of shipment. The original contract between the Company and the U.S. third party lessor included retained ownership risk provisions that were determined to preclude operating lease and short-term rental transactions from meeting the criteria for sale treatment under Statement of Financial Accounting Standards No. 13. The effect of the correction to the timing of the revenue recognition on these transactions in the 1998-2000 consolidated financial statements includes a reduction in previously reported net earnings by \$0.5 million and \$1.7 million and net earnings per share diluted by \$0.05 and \$0.18 for the years ended December 31, 2000 and 1998, respectively and increase previously reported net earnings by \$0.1 million and net earnings per share diluted by \$0.01 for the year ended December 31, 1999. The consolidated financial statements as of December 31, 2000 and 1999 and for the three years ended December 31, 2000, 1999 and 1998 and notes thereto included in this Form 10-K/A have been restated to include the effects of the correction to the timing of this revenue recognition.

On February 4, 2003, the Company amended the agreement with the third party lessor to eliminate the retained ownership risk provisions for operating leases which will result in revenue recognition for future operating lease transactions at the time of shipment. The amendment to the agreement is retroactive to the beginning of the agreement, therefore, the Company expects to recognize the remaining unrecognized revenue and earnings for past operating lease transactions in the first quarter of 2003.

Overview

For 2000, the Company reported record net sales and net earnings. Net sales of \$452.2 million represent an increase of 5.2% from sales of \$429.7 million in 1999. Negative foreign currency exchange effects, resulting primarily from the weakness of the Euro against the U.S. dollar, reduced 2000 net sales by approximately \$13 million compared with 1999 net sales. The company's operating margin before restructuring charges increased from 8.9% in 1999 to 9.5% in 2000. Net earnings for 2000 were \$27.7 million, or \$3.04 per diluted share, up 15% from 1999 net earnings of \$24.1 million, or \$2.63 per diluted share, before the effect of restructuring charges. Foreign currency exchange effects reduced 2000 earnings per diluted share by approximately \$.22. Net earnings in 1999, after pre-tax restructuring charges of \$6.7 million, or \$.47 per diluted share, were \$19.8 million, or \$2.16 per diluted share. Net earnings were affected in 1999 by the impact of the implementation of an Enterprise Resource Planning (ERP) System.

Net Sales

Sales in North America in 2000 of \$326.1 million increased 7.0% compared with \$304.8 million in 1999. Sales increased 9%, adjusted for the divestiture of the Company's Eagle propane burnisher business in September 1999. Growth in all product lines increased year-to-year with growth of 7.1% in industrial equipment, 11.7% in commercial equipment (adjusted for the impact of the Eagle divestiture), and 3.9% in floor coatings. Industrial equipment growth was due primarily to unit volume growth with a significant part of the growth coming from new products introduced over the past three years, including outdoor products. Commercial equipment and floor coatings growth were due primarily to unit volume growth.

In 1999, consolidated net sales of \$429.7 million increased 12.0% from the prior year. North American sales of \$304.8 million were up 7.6%. North American sales growth by product line were 11.2% for industrial equipment and 10.6% for commercial equipment, with a 10% decrease for floor coatings. Industrial and commercial product growth was primarily due to unit volume growth, significantly supported by the introduction of new and updated products, including outdoor products introduced the previous year and a half. Growth in commercial equipment sales was partially offset by the loss of sales for the last four months of 1999 resulting from the divestiture of the Eagle business.

European sales in 2000 were \$80.6 million in translated U.S. dollars, down 1.9% from 1999 sales of \$82.2 million. In local currency terms, and adjusted for the one additional month in 2000 from the acquired Paul Andra KG business, sales grew 10% primarily due to unit volume growth.

European sales in 1999 were up 30.5% in translated U.S. dollars compared with 1998 sales, due to the Paul Andra KG acquisition in January 1999.

Other international sales in 2000 were \$45.4 million, an increase of 6.3% over 1999 sales of \$42.7 million. In local currency terms, other international sales increased 8% compared with 1999 primarily due to unit volume growth in several geographies.

Other international sales in 1999 increased 13.6% compared with 1998. In local currency terms, 1999 sales declined .5%. Sales in Mexico have been reclassified in 1999 and 1998 from North America to other international to conform with the 2000 presentation.

Edgar Filing: TENNANT CO - Form 10-K/A

Consolidated order backlog at 2000 year-end totaled \$7 million compared with \$9 million at the end of 1999 and \$6 million at the end of 1998.

Costs and Expenses

The following is a summary of major operating costs and expenses as a percentage of net sales:

| | 2000 Restated | 1999 Restated | 1998 Restated |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| Cost of sales | 59.6% | 59.5% | 58.2% |
| Selling and administrative expenses | 30.9% | 31.7% | 32.8% |
| Restructuring charges | | 1.6% | |

Cost of sales as a percentage of sales increased by 0.1 percentage points in 2000 compared with 1999. The primary factor contributing to the increase in the cost of sales percentage was the effect of foreign currency exchange, principally the Euro. In 1999, cost of sales as a percentage of sales increased 1.3 percentage points compared with 1998 due substantially to a change in sales mix associated with the acquisition of Paul Andra KG, a lower margin business, higher costs in the industrial equipment business in North America related to inefficiencies associated with the ERP system implementation and an increase in selling discounts. Future gross margins could continue to be impacted by competitive market conditions, the mix of products both within and among product lines and geographies, and the effects of foreign currency exchange rate fluctuations.

Selling and administrative expenses as a percentage of sales declined 0.8 percentage points in 2000 compared with 1999. The decline is primarily attributable to the effects of restructuring activities and process improvement initiatives. Selling and administrative expenses as a percentage of sales declined 1.1 percentage points in 1999 compared with 1998. The decline was the result of the effects of restructuring activities, reduced employee incentive compensation expenses and a reduction in expenses associated with information technology. Also, in 1999 the Company adopted a change in accounting treatment for software developed for internal use under Statement of Position 98-1 issued by the American Institute of Certified Public Accountants. This statement requires the cost of developing software for internal use to be capitalized. In 2000 and 1999, respectively, approximately \$.7 and \$1.3 million were capitalized.

As described in Note 11 to the consolidated financial statements, during 2000 the Company approved enhancements to its retirement program to be effective in 2001 that included offering each Defined Benefit Plan participant the choice of remaining in a modified Defined Benefit Plan, or leaving this plan and receiving a lump-sum distribution that could be rolled over into a modified defined contribution plan. These retirement plan changes will result in a nonrecurring pension settlement gain of approximately \$3.2 to \$3.6 million after tax, or \$.35 to \$.39 per diluted share. This gain will be recorded upon receiving government approvals of changes to the Defined Benefit Plan which is expected to occur in 2001.

Other Income (Expense)

In 2000, other income and expense was income of \$0.4 million compared with a net expense of \$0.8 million in 1999. The major factors causing the change were a reduction in interest expense due to lower debt levels, a decrease in ESOP-related expense and decreased discretionary contribution to the Tennant Foundation. In 1999, the net expense of \$0.8 million compared with 1998 net income of \$1.7 million. The major factors causing the change were a decline in interest income due to the 1998 outsourcing of the Company's product financing business, an increase in ESOP-related expense and an increase in the discretionary contribution to the Tennant Foundation.

Restructuring Charges

As discussed in Note 3 to the consolidated financial statements, the Company recorded pre-tax restructuring charges of \$6.7 million (\$4.3 million after-tax or \$.47 per diluted share) in 1999. The charges pertained to management initiatives to restructure the main manufacturing organizations in North America and Europe. The actions in North America were substantially completed in 2000. The actions in Europe were partially completed in 2000 with the remainder to be completed in 2001. The actions were initiated to improve the efficiency and productivity of those organizations and reduce global infrastructure. Actions include closing several warehouses in North America and closing, or reducing activities in, several European sales and service facilities.

See Note 20 to the consolidated financial statements regarding the Company's plan in 2001 to close a leased facility in Waldhausen, Germany, and transfer equipment production to a contract manufacturer in the Czech Republic. Restructuring and other nonrecurring charges will be recorded in connection with this plan and are estimated to total \$3.5 to \$4 million after-tax, or \$.38 to \$.44 per diluted share. The Company expects to record the majority of the charges in its first quarter ending March 31, 2001.

Management regularly reviews the Company's business operations with the objective of improving financial performance and maximizing its return on investment and has adopted economic profit (operating profit after tax less a charge for the use of net capital employed) as its key financial performance measure. In this regard, the Company continues to consider actions to improve financial performance which, if taken, could result in material nonrecurring charges.

Income Taxes

The Company's effective income tax rate was 35.8%, 35.6% and 35.0% for the years 2000, 1999 and 1998, respectively.

Liquidity and Capital Resources

The Company continued to strengthen its financial position in 2000. At December 31, 2000, cash and cash equivalents totaled \$21.5 million and working capital, the excess of current assets over current liabilities, totaled \$100.4 million compared with \$87.2 million at December 31, 1999. At December 31, 2000, the Company's capital structure was comprised of \$15.3 million of current debt, \$11.7 million of long-term debt and \$152.8 million of shareholders' equity. Debt-to-total-capital ratio was 15.0% at December 31, 2000, compared with 18.8% at December 31, 1999. Netting cash against debt, the net debt-to-total-capital ratio at the end of 2000 was 3.6%.

The Company has available lines of credit of \$8 million with \$7 million of related debt outstanding at December 31, 2000. The Company believes that the combination of internally generated funds, present capital resources and available financing sources are more than sufficient to meet cash requirements for 2001.

Cash Flows

Edgar Filing: TENNANT CO - Form 10-K/A

During 2000, \$38.9 million of cash was generated from operating activities compared with \$37.6 million in 1999 and \$42.9 million in 1998. The increase in 2000 is due to increased net earnings, offset by an increase in operating assets and liabilities. Other significant uses of cash in 2000 included \$5.4 million of repayments of debt, \$7 million in dividends paid to shareholders, and \$ 3.2 million in repurchases of common stock.

Capital expenditures for property, plant and equipment totaled \$20.5 million in 2000, compared with \$18.3 million in 1999 and \$23.4 million in 1998. Capital spending for 2001 is expected to increase to approximately \$25 to \$30 million and will be financed primarily with funds from operations.

Dividends and Share Repurchases

Cash dividends were \$.78 per share in 2000, the 29th consecutive year of increase. On October 2, 1998, the Board of Directors authorized the Company to repurchase 600,000 shares of common stock. At December 31, 2000, the Company had approximately 124,000 shares remaining under the repurchase authorization. In 2000, the Company repurchased approximately 90,000 shares at an average price of \$35.50 per share. The Company repurchased approximately 283,000 shares for \$9.9 million in 1999 and approximately 677,000 shares in 1998 for \$27.1 million.

New Accounting Standards

The Company will adopt Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133*, which is effective beginning 2001. SFAS 133 requires a company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the hedged assets, liabilities or firm commitments are recognized through earnings or in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has determined the effect of adopting SFAS 133 and SFAS 138 is not material to the earnings and the financial position of the Company as of January 1, 2001.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies and the Euro, a new European currency, and adopted the Euro as their common legal currency (the Euro Conversion). Either the Euro or a participating country's present currency will be accepted as legal tender from January 1, 1999, to January 1, 2002, following which only the Euro will be accepted.

The Company has a significant number of suppliers and customers located in European Union countries participating in the Euro Conversion. Such suppliers and customers will likely have to upgrade or modify their computer systems and software to comply with Euro requirements. The Euro Conversion may also have competitive implications for the Company's pricing and marketing strategies, which could be material in nature; however, any such impact is not known at this time. The Company has modified its internal systems to deal with the Euro Conversion. There is no assurance, however, that all problems related to the Euro Conversion will be foreseen and corrected, or that no material disruptions of the Company's business will occur.

***Cautionary Factors Relevant to
Forward-Looking Information***

Certain statements contained in this document as well as other written and oral statements made from time to time by the Company are considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These statements do not relate to strictly historical or current facts and provide current expectations or forecasts of future events. These include factors that affect all businesses operating in a global market as well as matters specific to the Company and the markets it serves. Particular risks and uncertainties presently facing the Company include: the ability to implement its plans to increase worldwide manufacturing efficiencies; political and economic uncertainty throughout the world; inflationary pressures; the potential for increased competition in the Company's businesses from competitors that have substantial financial resources; the potential for soft markets in certain regions including North America, Asia, Latin America and Europe; the relative strength of the U.S. dollar, which affects the cost of the Company's products sold internationally; the ability to successfully implement the Enterprise Resource Planning System; and the Company's plan for growth. The Company cautions 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.

The Company does not undertake to update any forward-looking statement, and investors are advised to consult any further disclosures by the Company on this matter in its filings with the Securities and Exchange Commission. It is not possible to anticipate or foresee all risk factors, and investors should not consider that any list of such factors to be an exhaustive or complete list of all risks or uncertainties.

ITEM 7a Quantitative and Qualitative Disclosures About Market Risk

Due to the global nature of its operations, the Company is subject to exposures resulting from foreign exchange rate fluctuations. Because the Company's products are manufactured or sourced primarily from the United States, a stronger dollar generally has a negative impact on results from operations outside the United States while a weaker dollar generally has a positive effect.

The Company's objective in managing its exposure to foreign currency fluctuations is to minimize the earnings effects associated with foreign exchange rate changes on certain of its foreign currency-denominated assets and liabilities. The Company periodically enters into various contracts, principally forward exchange contracts, to protect the value of certain of its foreign currency-denominated assets and liabilities. The gains and losses on these contracts generally approximate changes in the value of the related assets and liabilities. The Company had forward exchange contracts outstanding in the notional amounts of approximately \$5 million both at the end of 2000 and 1999. The potential loss in fair value of foreign currency contracts outstanding as of December 31, 2000, from a 10% adverse change is not material. The Company maintains the policy of entering into foreign currency contracts only to the extent that actual exposures exist and does not enter into transactions for speculative purposes.

It is not possible to estimate the full impact of foreign currency exchange rate changes; however, the direct impact on net sales and net earnings can be estimated. For 2000, the foreign currency exchange effect on sales compared with 1999 was a reduction of approximately \$13 million. The total effect on net earnings approximated \$2 million or \$.22 per diluted share. The Company expects that its sales and net earnings will continue to be unfavorably affected by the effects of foreign currency exchange rates in 2001.

In the latter part of 2000, a slowdown in the U.S. industrial economy began to occur. While the Company's revenues are generally more diversified than during the last major U.S. economic slowdown, it is expected that the slowdown in the U.S. economy will unfavorably affect sales and net earnings in 2001.

ITEM 8 Financial Statements and Supplementary Data**TENNANT COMPANY AND SUBSIDIARIES****Consolidated Statements of Earnings***(Dollars in thousands, except per share data)*

| Years ended December 31 | 2000 Restated | 1999 Restated | 1998 Restated |
|---|--------------------------|--------------------------|--------------------------|
| Net sales | \$ 452,176 | \$ 429,739 | \$ 383,765 |
| Less: | | | |
| Cost of sales | 269,658 | 255,528 | 223,369 |
| Selling and administrative expenses | 139,665 | 136,076 | 125,806 |
| Restructuring charges | | 6,671 | |
| Profit from operations | 42,853 | 31,464 | 34,590 |
| Other income (expense): | | | |
| Interest income | 2,532 | 2,847 | 3,771 |
| Interest expense | (1,886) | (2,665) | (2,303) |
| Net foreign currency transaction gains (losses) | (517) | (174) | 139 |
| Miscellaneous income (expense), net | 230 | (778) | 125 |
| Total other income (expense) | 359 | (770) | 1,732 |
| Profit before income taxes | 43,212 | 30,694 | 36,322 |
| Income tax expense | 15,470 | 10,939 | 12,713 |
| Net earnings | \$ 27,742 | \$ 19,755 | \$ 23,609 |
| Basic earnings per share | \$ 3.05 | \$ 2.17 | \$ 2.49 |
| Diluted earnings per share | \$ 3.04 | \$ 2.16 | \$ 2.49 |

See accompanying notes to consolidated financial statements.

TENNANT COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

| December 31 | 2000 Restated | 1999 Restated |
|---|------------------|------------------|
| <i>Assets</i> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 21,512 | \$ 14,928 |
| Receivables: | | |
| Trade, less allowance for doubtful accounts (\$4,178 in 2000 and \$4,393 in 1999) | 83,984 | 85,200 |
| Other, net | 4,277 | 4,655 |
| Net receivables | 88,261 | 89,855 |
| Inventories | 53,507 | 49,405 |
| Prepaid expenses | 1,766 | 1,694 |
| Deferred income taxes, current portion | 8,174 | 10,863 |
| Total current assets | 173,220 | 166,745 |
| Property, plant and equipment, net of accumulated depreciation | 69,054 | 67,388 |
| Deferred income taxes, long-term portion | 5,491 | 7,063 |
| Intangible assets, net of accumulated amortization | 17,700 | 18,486 |
| Other assets | 3,007 | 1,587 |
| Total assets | \$ 268,472 | \$ 261,269 |
| <i>Liabilities and Shareholders' Equity</i> | | |
| CURRENT LIABILITIES | | |
| Current debt | \$ 15,274 | \$ 14,191 |
| Accounts payable, accrued expenses and deferred revenue | 57,594 | 61,131 |
| Income taxes payable | | 4,231 |
| Total current liabilities | 72,868 | 79,553 |
| LONG-TERM DEBT | 11,736 | 16,839 |
| LONG-TERM EMPLOYEE-RELATED BENEFITS | 31,081 | 30,616 |
| Total liabilities | 115,685 | 127,008 |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock of \$.02 par value per share authorized 1,000,000; none issued | | |
| Common stock of \$.375 par value per share, authorized 30,000,000; 9,052,789 and 8,989,480 issued and outstanding, respectively | 3,395 | 3,371 |
| Additional paid-in capital | 1,544 | |
| Common stock subscribed | 459 | 904 |
| Unearned restricted shares | (905) | (843) |
| Retained earnings | 164,113 | 143,041 |
| Accumulated other comprehensive income (loss) | (6,886) | (2,454) |

Edgar Filing: TENNANT CO - Form 10-K/A

| | | |
|--|------------|------------|
| Receivable from ESOP | (8,933) | (9,758) |
| Total shareholders' equity | 152,787 | 134,261 |
| Total liabilities and shareholders' equity | \$ 268,472 | \$ 261,269 |

See accompanying notes to consolidated financial statements.

TENNANT COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Dollars in thousands)

| Years ended December 31 | 2000 Restated | 1999 Restated | 1998 Restated |
|---|------------------|------------------|------------------|
| CASH FLOWS RELATED TO OPERATING ACTIVITIES | | | |
| Net earnings | \$ 27,742 | \$ 19,755 | \$ 23,609 |
| Adjustments to net earnings to arrive at operating cash flow: | | | |
| Depreciation and amortization | 18,766 | 19,028 | 17,590 |
| Deferred tax expense (benefit) | 4,287 | (1,730) | (3,000) |
| Provision for bad debts | 1,270 | 1,568 | 944 |
| Change in receivables | (1,944) | (9,145) | 4,077 |
| Change in inventories | (6,427) | 2,170 | (7,571) |
| Change in accounts payable, accrued expenses, deferred revenue and income taxes | (4,391) | (967) | 4,156 |
| Change in other current/noncurrent assets and liabilities | (1,667) | 5,090 | 1,254 |
| Other, net | 1,230 | 1,834 | 1,831 |
| Net cash flows related to operating activities | 38,866 | 37,603 | 42,890 |
| CASH FLOWS RELATED TO INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | (20,531) | (18,313) | (23,389) |
| Acquisition of Paul Andra KG, net of cash received | | (10,059) | |
| Proceeds from disposals of property, plant and equipment | 2,280 | 1,951 | 6,168 |
| Proceeds from divestiture of Eagle business | | 1,078 | |
| Other, net | (1,000) | | |
| Net cash flows related to investing activities | (19,251) | (25,343) | (17,221) |
| CASH FLOWS RELATED TO FINANCING ACTIVITIES | | | |
| Net changes in short-term borrowings(a) | (447) | 1,434 | 6,468 |
| Payments of long-term debt | (5,000) | (2,302) | (2,480) |
| Issuance of long-term debt | | | 58 |
| Long-term proceeds from transfer of leased assets | | | 3,038 |
| Proceeds from issuance of common stock | 2,289 | 2,286 | 2,039 |
| Purchase of common stock | (3,203) | (9,881) | (27,071) |
| Dividends paid | (7,045) | (6,862) | (6,941) |
| Principal payment from ESOP | 726 | 660 | 599 |
| Net cash flows related to financing activities | (12,680) | (14,665) | (24,290) |
| Effect of exchange rate changes on cash | (351) | (360) | 35 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,584 | (2,765) | 1,414 |
| Cash and cash equivalents at beginning of year | 14,928 | 17,693 | 16,279 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 21,512 | \$ 14,928 | \$ 17,693 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | | | | | |
|--|----|--------------|----|-----|----|-----|
| Collateralized borrowings incurred for operating lease equipment | \$ | 1,679 | \$ | 747 | \$ | 634 |
|--|----|--------------|----|-----|----|-----|

(a) Included in net changes in short-term borrowings are \$559, \$3,067 and \$7,840, respectively for 2000, 1999 and 1998, of noncash transactions related to collateralized borrowings.

See accompanying notes to consolidated financial statements.

TENNANT COMPANY AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity

(Dollars in thousands, except per share data)

| Years ended December 31 | 2000 Restated | | 1999 Restated | | 1998 Restated | |
|--|---------------|------------|---------------|------------|---------------|------------|
| | Shares | Amount | Shares | Amount | Shares | Amount |
| COMMON STOCK | | | | | | |
| Beginning balance | 8,989,480 | \$ 3,371 | 9,122,960 | \$ 3,421 | 9,699,397 | \$ 3,637 |
| Issue stock for employee benefit plans and directors | 153,537 | 58 | 149,119 | 56 | 100,135 | 38 |
| Purchase of common stock | (90,228) | (34) | (282,599) | (106) | (676,572) | (254) |
| Ending balance | 9,052,789 | \$ 3,395 | 8,989,480 | \$ 3,371 | 9,122,960 | \$ 3,421 |
| ADDITIONAL PAID-IN CAPITAL | | | | | | |
| Beginning balance | | \$ | | \$ | | \$ |
| Issue stock for employee benefit plans and directors | | 4,713 | | 4,230 | | 2,817 |
| Purchase of common stock | | (3,169) | | (4,230) | | (2,817) |
| Ending balance | | \$ 1,544 | | \$ | | \$ |
| COMMON STOCK SUBSCRIBED | | | | | | |
| Beginning balance | 27,607 | \$ 904 | 10,605 | \$ 425 | 12,191 | \$ 444 |
| Issue stock for employee benefit plans | (27,607) | (904) | (10,605) | (425) | (12,191) | (444) |
| Subscribed stock for employee benefit plans | 9,575 | 459 | 27,607 | 904 | 10,605 | 425 |
| Ending balance | 9,575 | \$ 459 | 27,607 | \$ 904 | 10,605 | \$ 425 |
| UNEARNED RESTRICTED SHARES | | | | | | |
| Beginning balance | | \$ (843) | | \$ (307) | | \$ (789) |
| Restricted share activity, net | | (62) | | (536) | | 482 |
| Ending balance | | \$ (905) | | \$ (843) | | \$ (307) |
| RETAINED EARNINGS | | | | | | |
| Beginning balance | | \$ 143,041 | | \$ 135,014 | | \$ 141,656 |
| Net earnings | | 27,742 | | 19,755 | | 23,609 |
| Dividends paid, \$.78, \$.76 and \$.74, respectively, per common share | | (7,045) | | (6,862) | | (6,941) |
| Purchase of common stock | | | | (5,545) | | (24,000) |
| Tax benefit on ESOP and other stock plans | | 375 | | 679 | | 690 |
| Ending balance | | \$ 164,113 | | \$ 143,041 | | \$ 135,014 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)(a) | | | | | | |
| Beginning balance | | \$ (2,454) | | \$ 1,586 | | \$ 563 |
| Foreign currency translation adjustments | | (4,432) | | (4,040) | | 1,023 |
| Ending balance | | \$ (6,886) | | \$ (2,454) | | \$ 1,586 |
| RECEIVABLE FROM ESOP | | | | | | |

Edgar Filing: TENNANT CO - Form 10-K/A

| | | | |
|----------------------------|------------|-------------|-------------|
| Beginning balance | \$ (9,758) | \$ (10,589) | \$ (11,425) |
| Principal payments | 726 | 660 | 599 |
| Shares allocated | 99 | 171 | 237 |
| Ending balance | \$ (8,933) | \$ (9,758) | \$ (10,589) |
| Total shareholders' equity | \$ 152,787 | \$ 134,261 | \$ 129,550 |

(a) Reconciliations of net earnings to comprehensive income are as follows:

| | | | |
|--|------------|------------|-----------|
| Net earnings | \$ 27,742 | \$ 19,755 | \$ 23,609 |
| Foreign currency translation adjustments | \$ (4,432) | \$ (4,040) | \$ 1,023 |
| Comprehensive income | \$ 23,310 | \$ 15,715 | \$ 24,632 |

The Company had 30,000,000 authorized shares of common stock as of December 31, 2000, 1999 and 1998.

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements - Restated

*1 Summary of Significant Accounting Policies
and Other Related Data*

CONSOLIDATION The consolidated financial statements include the accounts of Tennant Company and its subsidiaries. All material intercompany transactions and balances have been eliminated.

TRANSLATION OF NON-U.S. CURRENCY Foreign currency-denominated assets and liabilities have been translated to U.S. dollars generally at year-end exchange rates, while income and expense items are translated at exchange rates prevailing during the year. Gains or losses resulting from translation are included as a separate component of shareholders' equity. Transaction gains or losses are included in other income (expense).

USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVENTORIES Inventories are valued at the lower of cost (principally on a last-in, first-out basis) or market. Inventories would have been higher than reported had they been valued using the first-in, first-out method of accounting, which approximates replacement cost.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment is carried at cost. The Company generally depreciates buildings and improvements by the straight-line method over a 30-year life. Other property, plant and equipment is generally depreciated using the straight-line method based on lives of three to ten years.

INTANGIBLE ASSETS Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. Intangible assets also includes purchased technology and patents. Goodwill and other intangible assets are amortized using the straight-line method over their estimated useful lives generally ranging from five to 30 years.

PENSION AND PROFIT SHARING PLANS The Company has pension and profit sharing plans covering substantially all of its employees. Pension plan costs are accrued based on actuarial estimates with the pension cost funded annually.

POST-RETIREMENT BENEFITS The Company recognizes the cost of retiree health benefits over the employees' period of service.

RECLASSIFICATIONS Certain prior years' amounts have been reclassified to conform with the current year presentation.

WARRANTY The Company charges to current operations a provision, based on historical experience, for future warranty claims. Warranty terms on machines range from one to four years.

INCOME TAXES Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

U.S. income taxes are not provided on undistributed earnings of international subsidiaries which are permanently reinvested. At December 31, 2000, earnings permanently reinvested in international subsidiaries not subject to a U.S. income tax provision were \$16,870,000. If ever remitted to the Company in a taxable distribution, U.S. income taxes would be substantially offset by available foreign tax credits.

STOCK-BASED COMPENSATION The Company accounts for stock-based compensation for employees under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. APB No. 25 requires compensation cost to be recorded on the date of the grant only if the current market price of the underlying stock exceeds the exercise price. Accordingly, no compensation cost has been recognized for stock option plans. The Company has adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*.

CASH EQUIVALENTS The Company considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

REVENUE RECOGNITION The Company recognizes revenue when titles pass, which is generally upon shipment. Service revenue is recognized in the period the service is performed, or ratably over the period of the related service contract. Customers may obtain financing through a U.S. third party leasing company to assist in their acquisition of the Company's equipment products. Under the terms of the Company's agreement with the U.S. third party leasing company, transactions classified as operating leases result in recognition of revenue over the lease term and, for short-term rental transactions, at the time customers convert the short-term rental to an outright purchase or long-term capital lease of the equipment. As a result, we defer the sale on these transactions and record the sales proceeds as collateralized borrowings or deferred revenue. The underlying equipment relating to operating leases is depreciated on a straight-line basis over the lease term, which does not exceed the equipment's estimated useful life.

DERIVATIVE FINANCIAL INSTRUMENTS The Company enters into forward foreign exchange contracts principally to hedge certain foreign currency-denominated net assets and liabilities (principally the Euro, British pound, Australian dollar, Canadian dollar and Japanese yen). Gains or losses on forward foreign exchange contracts to hedge foreign currency-denominated net assets and liabilities are recognized in net earnings on a current basis over the term of the contracts.

As of December 31, 2000, the Company had two outstanding foreign currency exchange contracts totaling \$4,980,000. These contracts will mature in 2001 and bear rates of .5467 U.S. dollars per Australian dollar and 1.5220 Canadian dollars per U.S. dollar.

EARNINGS PER SHARE Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share includes conversion shares consisting of stock options and performance-related shares.

LONG-LIVED ASSETS The Company periodically reviews its long-lived assets for indicators of impairment. Long-lived assets are assessed for impairment loss recognition when events or circumstances indicate that the carrying amount of the asset may not be recoverable. The Company generally deems an asset to be impaired if a forecast of undiscounted future operating cash flows is less than its carrying amount. If an asset is determined to be impaired, the loss is measured as the amount by which the carrying value of the asset exceeds its fair value.

NEW ACCOUNTING STANDARDS The Company will adopt Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133*, which is effective beginning 2001. SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the hedged assets, liabilities or firm commitments are recognized through earnings or in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has determined the effect of adopting SFAS 133 and SFAS 138 is not material to the earnings and the financial position of the Company as of January 1, 2001.

2 Restatement

Tennant Company announced in February 2003 that due to a technical accounting interpretation brought to the Company's attention by its auditors, the Company is restating its financial statements to recognize revenues and earnings associated with the sales of its equipment to a U.S. third party lessor, that occurred between 1998 and 2002, over the lease period for operating lease transactions and, for short term rental transactions, at the time the customer converts the short term rental to an outright purchase or long term capital lease of the equipment. Previously, revenues and earnings associated with these sales were recognized at the time of shipment. The original contract between the Company and the U.S. third party lessor included retained ownership risk provisions that were determined to preclude operating lease and short-term rental transactions from meeting the criteria for sale treatment under Statement of Financial Accounting Standards No. 13. The effect of the correction to the timing of the revenue recognition on these transactions in the 1998-2000 consolidated financial statements includes a

Edgar Filing: TENNANT CO - Form 10-K/A

reduction in previously reported net earnings of \$0.5 million and \$1.7 million and net earnings per share diluted of \$0.05 and \$0.18 for the years ended December 31, 2000 and 1998, respectively and an increase in previously reported net earnings of \$0.1 million and net earnings per share diluted of \$0.01 for the year ended December 31, 1999. Impacted financial statement line items were sales, cost of sales, interest expense, income tax expense, inventory, machinery and equipment, accumulated depreciation, deferred income taxes, accrued expenses, deferred revenue and debt. There was no impact on cash flows or cash and cash equivalents. The consolidated financial statements as of December 31, 2000 and 1999 and for the three years ended December 31, 2000, 1999 and 1998 and notes thereto included in this Form 10-K/A have been restated to include the effects of the correction to the timing of the revenue recognition, as follows:

| Years ended December 31 | 2000 | | 1999 | | 1998 | |
|--|------------------------|------------|------------------------|------------|------------------------|------------|
| | As Previously Reported | Restated | As Previously Reported | Restated | As Previously Reported | Restated |
| CONSOLIDATED STATEMENTS OF EARNINGS | | | | | | |
| Net sales | \$ 454,044 | \$ 452,176 | \$ 429,407 | \$ 429,739 | \$ 389,388 | \$ 383,765 |
| Cost of sales | 270,855 | 269,658 | 255,398 | 255,528 | 226,233 | 223,369 |
| Interest income, net | 807 | 646 | 275 | 182 | 1,479 | 1,468 |
| Profit before income taxes | 44,044 | 43,212 | 30,586 | 30,694 | 39,092 | 36,322 |
| Income tax expense | 15,794 | 15,470 | 10,893 | 10,939 | 13,767 | 12,713 |
| Net earnings | 28,250 | 27,742 | 19,693 | 19,755 | 25,325 | 23,609 |
| Net earnings per common share | | | | | | |
| - Basic | \$ 3.11 | \$ 3.05 | \$ 2.16 | \$ 2.17 | \$ 2.67 | \$ 2.49 |
| - Diluted | \$ 3.09 | \$ 3.04 | \$ 2.15 | \$ 2.16 | \$ 2.67 | \$ 2.49 |

| | December 31, 2000 | | December 31, 1999 | |
|---|------------------------|-----------|------------------------|-----------|
| | As Previously Reported | Restated | As Previously Reported | Restated |
| CONSOLIDATED BALANCE SHEETS | | | | |
| Inventories | \$ 51,915 | \$ 53,507 | \$ 47,753 | \$ 49,405 |
| Total current assets | 171,628 | 173,220 | 165,093 | 166,745 |
| Net property, plant and equipment | 66,713 | 69,054 | 66,306 | 67,388 |
| Deferred income taxes long term | 4,236 | 5,491 | 6,061 | 7,063 |
| Total assets | 263,285 | 268,472 | 257,533 | 261,269 |
| Current debt | 12,572 | 15,274 | 12,902 | 14,191 |
| Accounts payable, accrued expenses and deferred revenue | 54,683 | 57,594 | 57,859 | 61,131 |
| Income taxes payable | | | 4,238 | 4,231 |
| Total current liabilities | 67,255 | 72,868 | 74,999 | 79,553 |
| Long-term debt | 10,000 | 11,736 | 16,003 | 16,839 |
| Total liabilities | 108,337 | 115,685 | 121,618 | 127,008 |
| Retained earnings | 166,274 | 164,113 | 144,694 | 143,041 |
| Total shareholders equity | 154,948 | 152,787 | 135,915 | 134,261 |
| Total liabilities and shareholders equity | 263,285 | 268,472 | 257,533 | 261,269 |

| Years ended December 31 | 2000 | | 1999 | | 1998 | |
|-------------------------|------------------------|----------|------------------------|----------|------------------------|----------|
| | As Previously Reported | Restated | As Previously Reported | Restated | As Previously Reported | Restated |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | | | | | |
|--|---------|---------|---------|---------|---------|---------|
| Net earnings | 28,250 | 27,742 | 19,693 | 19,755 | 25,325 | 23,609 |
| Depreciation and amortization | 18,391 | 18,766 | 18,667 | 19,028 | 17,550 | 17,590 |
| Deferred tax benefits | 4,540 | 4,287 | (1,767) | (1,730) | (1,961) | (3,000) |
| Increase (decrease) in inventories | (6,488) | (6,427) | 1,620 | 2,170 | (5,369) | (7,571) |
| Increase (decrease) in accounts payable, accrued expenses, deferred revenue and income taxes | (4,036) | (4,391) | 123 | (967) | (199) | 4,156 |
| Other, net | 550 | 1,230 | 1,754 | 1,834 | 1,269 | 1,831 |

3 Restructuring Charges

The Company recorded pretax charges totaling \$6,671,000 during 1999. The charges pertained to management initiatives to restructure the main manufacturing organizations in North America and Europe.

The actions were intended to improve the efficiency and productivity of those organizations and reduce global infrastructure. Actions included closing several warehouses in North America and closing, or reducing activities in, several of the European sales and service facilities. Severance and early retirements also contributed to the charges. The result was approximately 110 fewer positions in Europe and North America combined. In 2000, the Company made substantial progress in implementing the major strategic actions associated with this restructuring program, which is expected to be completed in 2001.

The components of the initial charges and cash and noncash applications against the charges were as follows:

| (In thousands) | Severance, Early Retirement and Related Costs | Noncancelable Contractual Obligations and Other | Total |
|---------------------------------|--|--|----------|
| Initial charges | \$ 4,593 | \$ 2,078 | \$ 6,671 |
| 1999 Utilization: | | | |
| Cash | (1,648) | | (1,648) |
| Noncash | | (234) | (234) |
| 1999 year-end liability balance | 2,945 | 1,844 | 4,789 |
| 2000 Utilization: | | | |
| Cash | (2,090) | (311) | (2,401) |
| Noncash | | (354) | (354) |
| 2000 year-end liability balance | \$ 855 | \$ 1,179 | \$ 2,034 |

The above liabilities are included in Accounts payable, accrued expenses and deferred revenue.

4 Inventories

The composition of inventories at December 31 was as follows:

| (In thousands) | 2000 Restated | 1999 Restated |
|--|---------------|---------------|
| FIFO inventories: | | |
| Finished goods | \$ 34,575 | \$ 30,894 |
| Raw materials, parts and work-in-process | 37,735 | 36,771 |
| Total FIFO inventories | 72,310 | 67,665 |
| LIFO reserve | (18,803) | (18,260) |
| LIFO inventories | \$ 53,507 | \$ 49,405 |

The LIFO reserve approximates the difference between LIFO carrying cost and replacement cost.

5 Property, Plant and Equipment and Related Accumulated Depreciation

Property, plant and equipment and related accumulated depreciation at December 31 consisted of the following:

| (In thousands) | 2000 Restated | 1999 Restated |
|-------------------------------------|---------------|---------------|
| Land | \$ 3,201 | \$ 3,633 |
| Buildings and improvements | 28,198 | 28,392 |
| Machinery and equipment | 154,207 | 143,238 |
| Construction in progress | 1,425 | 1,913 |
| Total property, plant and equipment | 187,031 | 177,176 |
| Less accumulated depreciation | (117,977) | (109,788) |
| Net property, plant and equipment | \$ 69,054 | \$ 67,388 |

Buildings and improvements include office, warehouse, or manufacturing facilities in suburban Minneapolis, Minnesota; Holland, Michigan; London, England; Salzburg, Austria; and Uden, The Netherlands.

6 Intangible Assets

The gross and net amounts of intangible assets at December 31 consisted of the following:

| (In thousands) | 2000 | 1999 |
|-------------------------------|-----------|-----------|
| Goodwill gross | \$ 23,538 | \$ 24,048 |
| Less accumulated amortization | (6,786) | (5,710) |
| Goodwill net | \$ 16,752 | \$ 18,338 |
| Other intangibles gross | \$ 3,139 | \$ 2,515 |
| Less accumulated amortization | (2,191) | (2,367) |
| Other intangibles net | \$ 948 | \$ 148 |

Edgar Filing: TENNANT CO - Form 10-K/A

| | | | | |
|-------------------------------|----|---------|----|---------|
| Total intangible assets gross | \$ | 26,677 | \$ | 26,563 |
| Less accumulated amortization | | (8,977) | | (8,077) |
| Total intangible assets net | \$ | 17,700 | \$ | 18,486 |

7 Short-Term Borrowings

Current debt at December 31 consisted of the following:

| (In thousands) | | 2000 Restated | | 1999 Restated |
|--|----|---------------|----|---------------|
| Short-term bank borrowings | \$ | 7,013 | \$ | 5,838 |
| Current portion of long-term debt | | 5,000 | | 5,000 |
| Non-cash collateralized loan obligations | | 3,261 | | 3,353 |
| Total | \$ | 15,274 | \$ | 14,191 |

The weighted-average interest rates on the short-term bank borrowings at December 31, 2000 and 1999, were 5.8% and 6.4%, respectively. This interest rate represents the weighted-average rate for the respective period and is calculated using the actual interest costs, exclusive of commitment fees, and month-end average outstanding debt.

Collateralized borrowings primarily represent deferred sales proceeds on certain leasing transactions with our U.S. third party leasing company.

At December 31, 2000, the Company had available lines of credit with banks in the amount of \$8,273,000.

8 Accounts Payable, Accrued Expenses and Deferred Revenue

Accounts payable, accrued expenses and deferred revenue at December 31 consisted of the following:

| (In thousands) | | 2000 Restated | | 1999 Restated |
|--------------------------------|----|---------------|----|---------------|
| Trade accounts payable | \$ | 15,648 | \$ | 17,964 |
| Employee profit sharing | | 3,894 | | 4,103 |
| Wages, bonuses and commissions | | 19,162 | | 17,280 |
| Taxes, other than income taxes | | 3,683 | | 3,748 |
| Restructuring reserve | | 2,034 | | 4,789 |
| Warranty | | 3,818 | | 3,222 |
| Deferred revenue | | 2,988 | | 3,272 |
| Other | | 6,367 | | 6,753 |
| Total | \$ | 57,594 | \$ | 61,131 |

9 Fair Value of Financial Instruments

The Company's short-term financial instruments are valued at their carrying amounts in the consolidated balance sheets, which are reasonable estimates of their fair value due to the short maturity of the instruments. The Company's foreign currency forward exchange contracts are valued at fair market value, which is the amount the Company would receive or pay to terminate the contracts at the reporting date. The fair market value of the Company's long-term debt approximates cost, based on the borrowing rates currently available to the Company for bank loans with similar terms and remaining maturities.

10 Long-Term Debt

Long-term debt at December 31 consisted of the following:

| (In thousands) | 2000 Restated | 1999 Restated |
|--|---------------|---------------|
| Note at 8.56%, due in 2001 | \$ 5,000 | \$ 5,000 |
| Note at 7.21%, due in 2003 | 5,000 | 5,000 |
| Note at 7.84%, due in 2005 | 5,000 | 5,000 |
| Non-cash collateralized loan obligations | 1,736 | 1,839 |
| Total long-term debt | \$ 11,736 | \$ 16,839 |

Minimum principal payments are due as follows: \$5,000,000 in 2003 and \$5,000,000 in 2005.

Collateralized borrowings primarily represent deferred sales proceeds on certain leasing transactions with our U.S. third party leasing company.

During 2000, 1999 and 1998, the Company paid total interest costs of \$1,766,000, \$2,589,000 and \$2,280,000, respectively.

11 Pension and Post-retirement Benefits

The Company has a Defined Benefit Pension Plan (available to most U.S. employees). Plan benefits are based on the employee's years of service and compensation during the highest five consecutive years of service of the final ten years of employment. The Company's policy has been to fund this plan to the maximum allowed by ERISA rules. Contributions are intended to provide benefits attributed to service to date and for service-related benefits expected to be earned in the future. Retirement benefits for eligible employees in foreign locations are funded principally through either annuity or government programs.

The Company also provides certain health-care benefits for substantially all of its U.S. retired employees. Eligibility for those benefits is based upon a combination of years of service with the Company and age upon retirement from the Company.

Edgar Filing: TENNANT CO - Form 10-K/A

Summaries related to changes in benefit obligations and plan assets and to the funded status of the plans were as follows:

| (In thousands) | Pension Benefits | | Postretirement Medical Benefits | |
|---|------------------|------------|---------------------------------|-------------|
| | 2000 | 1999 | 2000 | 1999 |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | \$ 26,782 | \$ 23,316 | \$ 11,800 | \$ 12,103 |
| Service cost | 1,660 | 2,375 | 317 | 399 |
| Interest cost | 1,577 | 1,609 | 855 | 784 |
| Amendments | 831 | 766 | | |
| Actuarial loss/(gain) | (4,570) | (968) | 286 | (1,126) |
| Benefits paid | (1,022) | (316) | (441) | (360) |
| Benefit obligation at end of year | \$ 25,258 | \$ 26,782 | \$ 12,817 | \$ 11,800 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | \$ 54,937 | \$ 36,053 | \$ | \$ |
| Actual return on plan assets | (3,310) | 19,198 | | |
| Employer contributions | 107 | 2 | 441 | 360 |
| Benefits paid | (1,022) | (316) | (441) | (360) |
| Fair value of plan assets at end of year | \$ 50,712 | \$ 54,937 | \$ | \$ |
| Funded status | \$ 25,454 | \$ 28,155 | \$ (12,817) | \$ (11,800) |
| Unrecognized actuarial loss/(gain) | (34,114) | (37,356) | (144) | (429) |
| Unrecognized transition obligation/(asset) | (404) | (450) | | |
| Unrecognized prior service cost | 999 | 257 | | |
| Net amount recognized | \$ (8,065) | \$ (9,394) | \$ (12,961) | \$ (12,229) |
| Amounts recognized in the consolidated balance sheets consisted of: | | | | |
| Accrued benefit liability | \$ (8,150) | \$ (9,530) | \$ (12,961) | \$ (12,229) |
| Intangible asset | 85 | 99 | | |
| Accumulated other comprehensive income | | 37 | | |
| Net amount recognized | \$ (8,065) | \$ (9,394) | \$ (12,961) | \$ (12,229) |
| Weighted-average assumptions as of December 31: | | | | |
| Discount rate | 7.30% | 7.50% | 7.30% | 7.50% |
| Expected return on plan assets | 9.50% | 10.50% | | |
| Rate of compensation increase | 4.00% | 6.00% | | |

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were \$1,638,000, \$1,387,000 and \$0, respectively, as of December 31, 2000, and \$1,786,000, \$1,358,000 and \$0, respectively, as of December 31, 1999.

For purposes of determining the December 31, 2000, accumulated postretirement medical benefit obligations, the weighted-average assumed annual rate of future increases in the per capita cost of covered health-care benefits was 9.1% for 2001, declining gradually to 6.0% in 2021 and after.

The health-care trend rate assumption does not have a large impact on the postretirement medical benefit obligations since the Company's obligations are largely fixed dollar amounts in future years. To illustrate, a one-percentage-point change in assumed health-care cost trends would have the following effects:

Edgar Filing: TENNANT CO - Form 10-K/A

| (In thousands) | 1-Percentage Point Increase | | 1-Percentage Point Decrease | |
|---|--------------------------------|-----|--------------------------------|-------|
| Effect on total of service and interest cost components | \$ | 32 | \$ | (34) |
| Effect on postretirement benefit obligation | \$ | 342 | \$ | (355) |

Components of net periodic benefit cost:

| (In thousands) | Pension Benefits | | Postretirement Medical Benefits | |
|---|------------------|----------|------------------------------------|----------|
| | 2000 | 1999 | 2000 | 1999 |
| Service cost | \$ 1,660 | \$ 2,375 | \$ 317 | \$ 399 |
| Interest cost | 1,577 | 1,609 | 855 | 784 |
| Expected return on plan assets | (3,195) | (2,338) | | |
| Recognized actuarial gain | (1,307) | (365) | | |
| Amortization of transition obligation/(asset) | (46) | (46) | | |
| Amortization of prior service cost | 89 | 89 | | |
| Net periodic benefit cost | (1,222) | 1,324 | 1,172 | 1,183 |
| Restructuring charge | | 767 | | |
| Total benefit cost | \$ (1,222) | \$ 2,091 | \$ 1,172 | \$ 1,183 |

For purposes of determining the 2000 postretirement medical net periodic benefit cost, the weighted-average assumed annual rate of future increase in the per capita cost of covered health-care benefits was 9.0% for 2000, declining gradually to 6.0% in 2020 and after.

During 1999, the Company extended a Voluntary Early Retirement Program to employees who attained age 60 and 20 years of service. This was a temporary early retirement incentive program offering enhanced pension benefits if early retirement was elected. The 1999 restructuring charge includes the accounting for this event.

During 2000, the Company approved enhancements to the retirement program to be effective in 2001 that included offering each Defined Benefit Plan participant the choice of remaining in a modified Defined Benefit Plan, or leaving the Defined Benefit Plan and receiving a lump-sum distribution that could be rolled over into a modified Defined Contribution Plan. The program enhancements are subject to government approvals, which are expected during 2001. Upon approval, assets and liabilities attributable to approximately 300 employees and all inactive participants will be spun-off to create a new ongoing Defined Benefit Plan. This plan will include benefit enhancements increasing the projected benefit obligation by approximately \$5.9 million, effective January 2001. The current Defined Benefit Plan will be amended to reflect benefit enhancements of approximately \$11.4 million for the remaining approximately 900 employees. This plan will be terminated in 2001, with all assets distributed to the plan participants as soon as all government approvals have been received. The plan changes, once approved, are expected to result in a nonrecurring pension settlement gain of approximately \$3.2 to \$3.6 million after tax in the year 2001.

12 Common and Preferred Stock and Additional Paid-in Capital

The Company is authorized to issue an aggregate of 31,000,000 shares; 30,000,000 were designated as Common Stock, having a par value of \$.375 per share, and 1,000,000 were designated as Preferred Stock, having a par value of \$.02 per share. The Board of Directors is authorized to establish one or more series of Preferred Stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series.

On November 19, 1996, the Board of Directors approved a Shareholder Rights Plan allowing a dividend of one preferred share purchase Right for each outstanding Common Share of the par value of \$.375 per share of the Company. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a Series A Junior Participating Preferred Share of the par value of \$.02 per share of the Company at a price of \$100 per one one-hundredth of a Preferred Share, subject to adjustment. The Rights are not exercisable or transferable apart from the common stock until the earlier of: (i) the close of business on the fifteenth day following a public announcement that a person or group of affiliated or associated persons has become an Acquiring Person (i.e., has become, subject to certain exceptions, the beneficial owner of 20% or more of the outstanding Common Shares), or (ii) the close of business on the fifteenth day following the commencement or public announcement of a tender offer or exchange offer the consummation of which would result in a person or group of affiliated or associated persons becoming, subject to certain exceptions, the beneficial owner of 20% or more of the outstanding Common Shares (or such later date as may be determined by the Board of Directors of the Company prior to a person or group of affiliated or associated persons becoming an Acquiring Person). At no time do the Rights have any voting power. The Rights may be redeemed by the Company for \$.01 per right at any time prior to (and, in certain circumstances, within twenty days after) a person or group acquiring 20% or more of the common stock. The 20% thresholds do not apply to stock ownership by or on behalf of employee benefit plans. Under certain circumstances, the Board of Directors may exchange the Rights for the Company's common stock or reduce the 20% thresholds to not less than 10%. The Rights will expire on December 23, 2006, unless extended or earlier redeemed or exchanged by the Company.

13 Costs and Expenses

Engineering, research and development, maintenance and repairs, warranty, and bad debt expenses were charged to operations for the three years ended December 31, 2000, as follows:

| (In thousands) | 2000 | 1999 | 1998 |
|---------------------------------------|-----------|-----------|-----------|
| Engineering, research and development | \$ 15,916 | \$ 15,385 | \$ 14,224 |
| Maintenance and repairs | \$ 5,786 | \$ 5,899 | \$ 6,071 |
| Warranty | \$ 6,185 | \$ 5,516 | \$ 5,166 |
| Bad debts | \$ 1,270 | \$ 1,568 | \$ 944 |

14 Leases

The Company leases office and warehouse facilities, vehicles and office equipment under operating lease agreements which include both monthly and longer-term arrangements. Leases with initial terms of one year or more expire at various dates through 2006 and generally provide for extension options. Rentals under the leasing agreements (exclusive of real estate taxes, insurance and other expenses payable under the leases) amounted to \$5,110,000, \$4,065,000 and \$2,863,000, in 2000, 1999 and 1998, respectively.

The aggregate lease commitments with an initial term of one year or more at December 31, 2000, were \$9,400,000 with minimum rentals for the periods as follows:

| (In thousands) | |
|----------------|----------|
| 2001 | \$ 3,298 |
| 2002 | 2,580 |
| 2003 | 2,129 |

Edgar Filing: TENNANT CO - Form 10-K/A

| | | |
|-----------------|----|-------|
| 2004 | | 799 |
| 2005 | | 353 |
| 2006 and beyond | | 241 |
| Total | \$ | 9,400 |

15 Income Taxes

In 2000, 1999 and 1998, the Company recognized tax benefits directly to shareholders' equity of \$375,000, \$679,000 and \$690,000, respectively, relating to the Company's ESOP and stock plans.

Income tax expense (benefit) for the three years ended December 31, 2000, was as follows:

| (In thousands) | Current | Deferred | Total |
|----------------------|-----------|----------|-----------|
| 2000 Restated | | | |
| Federal | \$ 9,056 | \$ 3,601 | \$ 12,657 |
| Foreign | 416 | 564 | 980 |
| State | 1,782 | 51 | 1,833 |
| | \$ 11,254 | \$ 4,216 | \$ 15,470 |
| 1999 Restated | | | |
| Federal | \$ 11,065 | (1,574) | 9,491 |
| Foreign | 21 | 477 | 498 |
| State | 1,299 | (349) | 950 |
| | \$ 12,385 | (1,446) | 10,939 |
| 1998 Restated | | | |
| Federal | \$ 10,328 | (2,458) | 7,870 |
| Foreign | 3,998 | (127) | 3,871 |
| State | 1,402 | (430) | 972 |
| | \$ 15,728 | (3,015) | 12,713 |

The Company's effective income tax rate varied from the U.S. federal statutory tax rate for the three years ended December 31, 2000 as follows:

| | 2000 Restated | 1999 Restated | 1998 Restated |
|---|---------------|---------------|---------------|
| Tax at statutory rate | 35.0% | 35.0% | 35.0% |
| Increases (decreases) in the tax rate from: | | | |
| State and local taxes, net of federal benefit | 2.8% | 2.0% | 1.7% |
| Effect of foreign taxes | 1.0% | 0.3% | 0.8% |
| Effect of foreign sales corporation | (2.5)% | (2.1)% | (1.9)% |
| Other, net | (0.5)% | 0.4% | (0.6)% |
| Effective income tax rate | 35.8% | 35.6% | 35.0% |

Edgar Filing: TENNANT CO - Form 10-K/A

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at December 31, 2000 and 1999, were as follows:

| (In thousands) | 2000 Restated | 1999 Restated |
|--|---------------|---------------|
| Deferred tax assets: | | |
| Inventories, principally due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986 and changes in inventory reserves | \$ 1,623 | \$ 1,827 |
| Employee wages and benefits, principally due to accruals for financial reporting purposes | 14,082 | 16,125 |
| Warranty reserves accrued for financial reporting purposes | 1,195 | 1,000 |
| Accounts receivable, principally due to allowance for doubtful accounts and tax accounting method for equipment rentals | 2,211 | 1,854 |
| Other | 83 | 1,493 |
| Total deferred tax assets | \$ 19,194 | \$ 22,299 |
| Deferred tax liabilities: | | |
| Property, plant and equipment, principally due to differences in depreciation and related gains | \$ 4,358 | \$ 3,397 |
| Goodwill | 1,152 | 976 |
| Other | 19 | |
| Total deferred tax liabilities | \$ 5,529 | \$ 4,373 |
| Net deferred tax assets | \$ 13,665 | \$ 17,926 |

The Company has determined that a valuation allowance for the deferred tax assets is not required since it is likely that they will be realized through future reversals of existing taxable temporary differences and future taxable income.

Income taxes paid were \$15,420,000, \$12,944,000 and \$18,513,000, in 2000, 1999 and 1998, respectively.

16 Stock Plans, Bonuses and Profit Sharing

The Company has six plans under which stock-based compensation grants are provided annually. The 1992 Stock Incentive Plan (1992 Plan), 1995 Stock Incentive Plan (1995 Plan), 1998 Management Incentive Plan (1998 Plan) and 1999 Stock Incentive Plan (1999 Plan) provide for stock-based compensation grants to executives and key employees of the Company. The 1993 Directors Restricted Plan (1993 Plan) provides for the annual retainer in the form of restricted shares to the non-employee Directors of the Company. The 1997 Director s Option Plan (1997 Plan) provides for stock option grants to non-employee Directors of the Company. The maximum number of shares that can be awarded under the respective plans is 500,000, 500,000, 100,000, 500,000, 125,000 and 150,000, respectively. The grant size under all plans is determined by the Compensation Committee of the Board of Directors.

Restricted shares are granted annually and typically have a two- or three-year restriction period from the effective date of the grant. During the restricted period, the restricted shares may not be sold or transferred, but the shares entitle the participants to dividends and voting rights. In 2000, 1999 and 1998, respectively, 39,000, 37,000 and 12,000, restricted shares were granted. The weighted-average fair values of stock on the grant date were \$34.43, \$36.97 and \$37.85 per share in 2000, 1999 and 1998, respectively.

Under the 1998 Plan, performance-related compensation grants were made and are payable in cash or shares. The awards earned are based on achievement of certain financial performance goals and payout is over a three-year period following the award year. In 2000, 1999 and 1998,

Edgar Filing: TENNANT CO - Form 10-K/A

respectively, \$649,000, \$1,501,000 and \$1,154,000 in grants were made.

In 2000, 1999 and 1998, respectively, expenses of \$2,585,000, \$2,523,000 and \$5,557,000, were charged to operations for the above-described restricted and performance-related awards.

Under the 1995 Plan, the 1997 Plan and the 1999 Plan, 10-year fixed stock options are granted annually at a price equal to the stock's fair market value on the date of the grant. Options become exercisable on a cumulative basis at a rate of 25% per year.

A summary of the status of the Company's stock option transactions during 2000, 1999 and 1998 is shown below:

| | Shares | Weighted Average Exercise Price |
|----------------------------------|----------|---------------------------------------|
| 2000 | | |
| Outstanding at beginning of year | 589,800 | \$ 33.79 |
| Granted | 271,800 | 33.94 |
| Exercised | (59,800) | 32.22 |
| Forfeited | | |
| Outstanding at end of year | 801,800 | \$ 33.96 |
| Exercisable at year-end | 460,400 | \$ 33.96 |
| 1999 | | |
| Outstanding at beginning of year | 452,600 | \$ 31.50 |
| Granted | 234,100 | 35.02 |
| Exercised | (81,800) | 24.55 |
| Forfeited | (15,100) | 34.30 |
| Outstanding at end of year | 589,800 | \$ 33.79 |
| Exercisable at year-end | 310,200 | \$ 33.13 |
| 1998 | | |
| Outstanding at beginning of year | 320,000 | \$ 25.95 |
| Granted | 208,300 | 37.63 |
| Exercised | (73,200) | 24.74 |
| Forfeited | (2,500) | 29.35 |
| Outstanding at end of year | 452,600 | \$ 31.50 |
| Exercisable at year-end | 116,100 | \$ 31.96 |

At December 31, 2000, outstanding options had exercise prices between \$22.00 and \$49.63 per share and a weighted-average contractual life of 7.4 years.

The Company has adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. In accordance with SFAS No. 123, the fair value of options at the date of grant is estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used for the 2000, 1999 and 1998 grants, respectively: dividend yield of 2.3%, 2.2% and 2.0%; expected volatility of 20%, 39% and 19%; risk-free interest rates of 6.4%, 5.2% and 5.5%; and expected life of option of five years. The weighted-average fair value of each option granted was \$8.20, \$11.62 and \$8.35 in 2000, 1999 and 1998, respectively.

Edgar Filing: TENNANT CO - Form 10-K/A

Had stock-based compensation cost been determined consistent with the provisions of SFAS No. 123, net earnings per share would have been reduced to the pro forma amounts indicated below:

| (In thousands, except per share amounts) | 2000 Restated | 1999 Restated | 1998 Restated |
|--|------------------|------------------|------------------|
| Net earnings as reported | \$ 27,742 | \$ 19,755 | \$ 23,609 |
| Net earnings pro forma | \$ 26,487 | \$ 18,235 | \$ 22,795 |
| Diluted earnings per share as reported | \$ 3.04 | \$ 2.16 | \$ 2.49 |
| Diluted earnings per share pro forma | \$ 2.90 | \$ 2.00 | \$ 2.40 |

The Company also has a matching contribution program available to all employees who make 401(k) contributions. Under this program, the Company makes matching contributions up to a maximum of 2.0% of an employee's earnings. Expenses related to matching contributions were \$932,000, \$842,000 and \$828,000, in 2000, 1999 and 1998, respectively.

In 1990, the Company established a leveraged Employee Stock Ownership Plan (ESOP) by amending its Profit Sharing Plan to add ESOP features. The ESOP covers substantially all domestic employees following completion of one year of service. The shares required for the Company's 401(k) matching contribution program, as well as the Company's Profit Sharing Plan, are provided principally by the Company's ESOP, supplemented as needed by newly issued shares. The Company makes annual contributions to the ESOP equal to the ESOP's debt service less dividends received by the ESOP. All dividends received by the ESOP are used to pay debt service. The ESOP shares initially were pledged as collateral for its debt. As the debt is repaid, shares are released from collateral and allocated to employees who made 401(k) contributions that year, as well as to profit sharing participants, based on the proportion of debt service paid in the year. The Company accounts for the ESOP in accordance with EITF Issue 89-8, Expense Recognition for Employee Stock Ownership Plans. Accordingly, the shares pledged as collateral are reported as unearned ESOP shares in the consolidated balance sheets. As shares are released from collateral, the Company reports compensation expense equal to the cost of the shares to the ESOP. All ESOP shares are considered outstanding in EPS computations, and dividends on allocated and unallocated shares are recorded as a reduction of retained earnings. The Company's cash contributions to the ESOP during 2000, 1999 and 1998 were \$1,203,000, \$1,225,000 and \$1,241,000, respectively.

Expenses in excess of (less than) benefits provided to employees through the ESOP, which were recorded in miscellaneous expense (income), were \$(402,000), \$469,000 and (\$292,000) in 2000, 1999 and 1998, respectively. Interest earned and received on the Company loan to the ESOP were \$1,301,000, \$1,372,000 and \$1,437,000, in 2000, 1999 and 1998, respectively. Dividends on the Company shares held by the ESOP used for debt service were \$818,000, \$799,000 and \$797,000, in 2000, 1999 and 1998, respectively. At December 31, 2000, the ESOP indebtedness to the Company, which bears an interest rate of 10.05% and is due December 31, 2009, was \$12,766,000.

The ESOP shares as of December 31 were as follows:

| | 2000 | 1999 | 1998 |
|--------------------------------|---------|---------|---------|
| Allocated shares | 479,660 | 430,923 | 378,166 |
| Shares released for allocation | 38,987 | 37,988 | 41,052 |
| Unreleased shares | 450,419 | 500,155 | 549,848 |
| Total ESOP shares | 969,066 | 969,066 | 969,066 |

For the years ended December 31, 2000, 1999 and 1998, the Company charged to operations \$10,567,000, \$10,396,000 and \$13,657,000, respectively, for expense of all stock, bonus and profit sharing plans.

17 Earnings Per Share Computations

The computations of basic and diluted earnings per share for the years ended December 31 were as follows:

| (In thousands, except per share amounts) | Net Earnings (Numerator) | Shares (Denominator) | Per-Share Amount |
|---|-----------------------------|-------------------------|---------------------|
| 2000 Restated: | | | |
| Basic earnings per share | \$ 27,742 | 9,082 \$ | 3.05 |
| Dilutive share equivalents | | 53 | |
| Diluted earnings per share | \$ 27,742 | 9,135 \$ | 3.04 |
| 1999 Restated: | | | |
| Basic earnings per share | \$ 19,755 | 9,097 \$ | 2.17 |
| Dilutive share equivalents | | 43 | |
| Diluted earnings per share | \$ 19,755 | 9,140 \$ | 2.16 |
| 1998 Restated: | | | |
| Basic earnings per share | \$ 23,609 | 9,471 \$ | 2.49 |
| Dilutive share equivalents | | 29 | |
| Diluted earnings per share | \$ 23,609 | 9,500 \$ | 2.49 |

18 Segment Reporting

The Company operates in one industry segment which consists of the design, manufacture and sale of products and services used primarily in the maintenance of nonresidential floors.

The following sets forth net sales and total assets by geographic area:

| (In thousands) | 2000 Restated | 1999 Restated | 1998 Restated |
|---------------------|---------------|---------------|---------------|
| Net sales: | | | |
| North America | \$ 326,083 | \$ 304,779 | \$ 283,116 |
| Europe | 80,668 | 82,234 | 63,048 |
| Other international | 45,425 | 42,726 | 37,601 |
| Total | \$ 452,176 | \$ 429,739 | \$ 383,765 |

| (In thousands) | 2000 Restated | 1999 Restated |
|-----------------------------------|---------------|---------------|
| Total assets: | | |
| North America | \$ 186,960 | \$ 170,776 |
| Europe | 49,773 | 53,196 |
| Other international | 17,826 | 20,751 |
| Corporate assets and eliminations | 13,913 | 16,546 |

Edgar Filing: TENNANT CO - Form 10-K/A

Total \$ 268,472 \$ 261,269

| (In thousands) | 2000 As Originally Reported | 1999 As Originally Reported | 1998 As Originally Reported |
|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Net sales: | | | |
| North America | \$ 327,951 | \$ 304,447 | \$ 288,739 |
| Europe | 80,668 | 82,234 | 63,048 |
| Other international | 45,425 | 42,726 | 37,601 |
| Total | \$ 454,044 | \$ 429,407 | \$ 389,388 |

| (In thousands) | 2000 As Originally Reported | 1999 As Originally Reported |
|-----------------------------------|-----------------------------------|-----------------------------------|
| Total assets: | | |
| North America | \$ 181,773 | \$ 167,040 |
| Europe | 49,773 | 53,196 |
| Other international | 17,826 | 20,751 |
| Corporate assets and eliminations | 13,913 | 16,546 |
| Total | \$ 263,285 | \$ 257,533 |

Net sales by geographic area is net of intercompany sales. North America sales include sales in the United States and Canada. Sales in Canada comprise less than 10% of consolidated sales and are interrelated with the Company's U.S. operations. Net sales in Mexico in 1999 and 1998 have been reclassified from North America to other international to conform with 2000 presentation.

19 Acquisition

On January 4, 1999, the Company acquired the shares and holdings in associated businesses of Paul Andra KG, a privately owned manufacturer of commercial floor maintenance equipment in Germany, for an aggregate consideration of \$10,059,000. Consolidated net sales in 1999 include 11 months as European entities are consolidated based on a November 30 year-end.

The purchase price was allocated to the acquired assets and assumed obligations based on their fair market values. The purchase price and related acquisition costs exceeded fair market values by approximately \$4.5 million. This amount has been recorded as goodwill and is being amortized on a straight-line basis over 20 years. The transaction has been accounted for using the purchase method of accounting, and as such, the Company's 2000 and 1999 results of operations include Paul Andra KG business results since the acquisition date. This acquisition did not have a material impact on operations.

20 Subsequent Event

In January 2001, the Company's Board of Directors approved a plan to close a leased manufacturing facility in Waldhausen, Germany, and transfer the related production to a contract manufacturer based in the Czech Republic. These actions are expected to result in after-tax restructuring and other nonrecurring charges totaling approximately \$3.5 to \$4 million, or \$.38 to \$.44 per diluted share. The Company expects to record the majority of the charges in its first quarter ending March 31, 2001.

21 Consolidated Quarterly Data (Unaudited)*(In thousands, except per share amounts)*

| Quarter | Net Sales | | Gross Profit | |
|---------|------------------|------------------|------------------|------------------|
| | 2000 Restated | 1999 Restated | 2000 Restated | 1999 Restated |
| First | \$ 108,629 | \$ 99,687 | \$ 44,117 | \$ 40,594 |
| Second | \$ 114,537 | \$ 107,436 | \$ 46,456 | \$ 43,456 |
| Third | \$ 115,478 | \$ 104,302 | \$ 45,774 | \$ 41,288 |
| Fourth | \$ 113,532 | \$ 118,314 | \$ 46,171 | \$ 48,873 |
| Year | \$ 452,176 | \$ 429,739 | \$ 182,518 | \$ 174,211 |

| Quarter | Net Earnings | | Diluted Earnings per Share | |
|---------|------------------|------------------|-------------------------------|------------------|
| | 2000 Restated | 1999 Restated | 2000 Restated | 1999 Restated |
| First | \$ 5,545 | \$ 4,893 | \$.61 | \$.53 |
| Second | \$ 7,455 | \$ 6,265 | \$.82 | \$.69 |
| Third | \$ 7,327 | \$ 3,132* | \$.80 | \$.34 |
| Fourth | \$ 7,415 | \$ 5,465* | \$.81 | \$.60 |
| Year | \$ 27,742 | \$ 19,755 | \$ 3.04 | \$ 2.16 |

* Includes restructuring charges of \$2,027 after tax in the third quarter and \$2,281 after tax in the fourth quarter.

Regular quarterly dividends aggregated \$.78 per share in 2000 (\$.19 in the first and second quarter; \$.20 in third and fourth quarter) and \$.76 per share in 1999 (\$.19 per share for all quarters).

Management's Report

The Company's management is responsible for the integrity and accuracy of the financial statements. Management believes that the financial statements for the three years ended December 31, 2000, have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed.

In meeting its responsibility for the reliability of the financial statements, management relies on a system of internal accounting control. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The design of this system recognizes that errors or irregularities may occur and that estimates and

Edgar Filing: TENNANT CO - Form 10-K/A

judgments are required to assess the relative cost and expected benefits of the controls. Management believes that the Company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period.

The Audit Committee of the Board of Directors, which is comprised solely of Directors who are not employees of the Company, is responsible for monitoring the Company's accounting and reporting practices. The Audit Committee meets periodically with management and the independent auditors to discuss internal accounting control, auditing and financial reporting matters.

Independent Auditors Report

The Board of Directors and Shareholders
Tennant Company:

We have audited the accompanying consolidated balance sheets of Tennant Company and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, cash flows, and shareholders' equity for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennant Company and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

-

As discussed in Note 2 to the accompanying consolidated financial statements, the accompanying consolidated balance sheets as of December 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the three years ended December 31, 2000, 1999 and 1998 have been restated.

/s/ KPMG LLP
Minneapolis, Minnesota

February 6, 2001, except as to note 2,
which is as of March 25, 2003

ITEM 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Part III is included in the Tennant Company 2001 Proxy (to the extent specific pages are referred to on the Cross Reference Sheet) and is incorporated in this Form 10-K/A Annual Report by reference, except Item 13 Certain Relationships and Related Transactions, of which there were none, and Item 10 Directors and Executive Officers of the Registrant as it relates to executive officers. Identification of executive officers is included in Part I of this Form 10-K/A Annual Report.

PART IV

ITEM 14 - Exhibits, Financial Statement Schedule, and Reports on Form 8-K.

A. The following documents are filed as a part of this report:

1. Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts
(Dollars in Thousands)

| Allowance for doubtful accounts | Balance at beginning of Year | Additions charged to costs and expenses | Deductions from reserves(1) | Balance at end of year |
|---------------------------------|------------------------------|---|-----------------------------|------------------------|
| Year ended December 31, 2000 | \$ 4,393 | \$ 1,270 | \$ 1,485 | \$ 4,178 |
| Year ended December 31, 1999 | 2,956 | 1,568 | 131 | 4,393 |
| Year ended December 31, 1998 | 3,302 | 944 | 1,290 | 2,956 |

(1) Accounts determined to be uncollectible and charged against reserve, net of collections on accounts previously charged against reserves.

| Warranty reserves | Balance at beginning of Year | Additions charged to costs and expenses | Deductions from reserves | Balance at end of year |
|-------------------|------------------------------|---|--------------------------|------------------------|
|-------------------|------------------------------|---|--------------------------|------------------------|

Edgar Filing: TENNANT CO - Form 10-K/A

| | | | | | | | | |
|------------------------------|----|-------|----|-------|----|-------|----|-------|
| Year ended December 31, 2000 | \$ | 3,222 | \$ | 6,185 | \$ | 5,589 | \$ | 3,818 |
| Year ended December 31, 1999 | | 2,903 | | 5,516 | | 5,197 | | 3,222 |
| Year ended December 31, 1998 | | 2,915 | | 5,166 | | 5,178 | | 2,903 |

| Inventory reserves | | Balance at beginning of Year | | Additions charged to costs and expenses | | Deductions from reserves | | Balance at end of year |
|------------------------------|----|------------------------------|----|---|----|--------------------------|----|------------------------|
| Year ended December 31, 2000 | \$ | 3,532 | \$ | 1,979 | \$ | 2,665 | \$ | 2,846 |
| Year ended December 31, 1999 | | 2,766 | | 2,345 | | 1,579 | | 3,532 |
| Year ended December 31, 1998 | | 2,882 | | 1,927 | | 2,043 | | 2,766 |

All other schedules are omitted as the required information is inapplicable or because the required information is presented in the Consolidated Financial Statements in the Tennant Company 2000 Annual Report to Shareholders.

2. 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, 1995. |
| 3ii | Amended and Restated By-Laws | Incorporated by reference to Exhibit 3ii to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999. |
| 10.1 | Tennant Company 1992 Stock Incentive Plan | Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement No. 33-59054, Form S-8 dated March 2, 1993. |
| 10.2 | Tennant Company Restricted Stock Plan for Nonemployee Directors | Incorporated by reference to Exhibit 4.5 to the Company's Registration Statement No. 33-59054, Form S-8, dated March 2, 1993. |
| 10.3 | Tennant Company 1995 Stock Incentive Plan | Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement No. 33-62003, Form S-8, dated August 22, 1995. |
| 10.4 | Tennant Company Restricted Stock Plan for Nonemployee Directors, as amended and restated effective January 1, 1995 | Incorporated by reference to Exhibit 10.2 to the Company's 1995 Second Quarter 10-Q filing dated August 8, 1995. |
| 10.5 | Tennant Company Excess Benefit Plan, as amended and restated effective January 1, 1994 | Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994. |
| 10.6 | Management Agreement with Steven K. Weeks dated November 19, 1996* | Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996. |
| 10.7 | | |

Edgar Filing: TENNANT CO - Form 10-K/A

| | | |
|-------|---|---|
| | Management Agreement with Tom Vander Bie dated November 19, 1996* | Incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996. |
| 10.8 | Management Agreement with Richard M. Adams dated December 10, 1993* | Incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993. |
| 10.9 | Management Agreement with Janet M. Dolan dated June 21, 1989* | Incorporated by reference to Exhibit b.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992. |
| 10.10 | 1993 Amendment to Management Agreement with Janet M. Dolan dated December 10, 1993* | Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993. |
| 10.11 | Management Agreement with Keith D. Payden dated December 10, 1993* | Incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993. |
| 10.12 | Management Agreement with James H. Moar dated July 13, 1998* | Incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998. |
| 10.13 | Management Agreement with Thomas J. Dybsky dated September 28, 1998* | Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998. |
| 10.14 | Tennant Company Non-Employee Director Stock Option Plan. | Incorporated by reference to the Company's Registration Statement No. 333-28641, Form S-8 dated June 6, 1997. |
| 10.15 | Tennant Company 1998 Management Incentive Plan | Incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998. |
| 10.16 | Management Agreement with Janet Dolan dated April 5, 1999* | Incorporated by reference to Exhibit 10iii.2 to the Company's 10-Q Quarterly Report dated September 30, 1999. |
| 10.17 | Management Agreement with James J. Seifert dated July 12, 1999* | Incorporated by reference to Exhibit 10iii.3 to the Company's 10-Q Quarterly Report dated September 30, 1999. |
| 10.18 | Tennant Company 1999 Stock Incentive Plan | Incorporated by reference to the Company's Registration Statement No. 333-80589 Form S-8 dated June 14, 1999. |
| 10.19 | Tennant Commercial Retirement Savings Plan | Incorporated by reference to the Company's Registration Statement No. 333-51531 Form S-8 dated May 1, 1998 (originally filed under the name Castex Incorporated Employees Retirement Plan). |
| 10.20 | Tennant Company Profit Sharing Plan | Incorporated by reference to the Company's Registration Statement No. 2-86844 Form S-8 dated September 29, 1983. |
| 10.21 | Tennant Company Profit Sharing Plan Amendment No. 1 | Incorporated by reference to the Company's Registration Statement No. 2-86844 Form S-8 dated January 27, 1986. |
| 10.22 | Tennant Company Profit Sharing Plan Amendment No. 2 | Incorporated by reference to the Company's Registration Statement No. 2-86844 Form S-8 dated October 6, 1987. |
| 21.1 | Subsidiaries of the Registrant | |

Edgar Filing: TENNANT CO - Form 10-K/A

Tennant Company has the following significant subsidiaries:

Tennant Holding B.V. is a wholly owned subsidiary organized under the laws of the Netherlands in 1991. A legal reorganization occurred in 1991 whereby Tennant N.V. became a participating interest of Tennant Holding B.V. Tennant N.V. had previously been a wholly owned subsidiary organized under the laws of the Netherlands in 1970. Tennant Maintenance Systems, Limited, was a wholly owned subsidiary, organized under the laws of the United Kingdom until October 29, 1992, at which time Tennant Holding B.V. acquired 100% of its stock from Tennant Company. The name was formally changed to Tennant UK Limited on or about October 16, 1996. Tennant Sales and Service Company is a wholly owned subsidiary organized under the laws of the state of Minnesota. The results of these operations have been consolidated into the financial statements, as indicated therein.

| | | |
|------|---|--------------------------------|
| 23.1 | Independent Auditors Report and Consent | Filed herewith electronically. |
| 99.1 | Certifications | Filed herewith electronically. |

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K/A.

B. Reports on Form 8-K

There were no reports filed on Form 8-K the quarter ended December 31, 2000.

CROSS REFERENCE

| FORM 10-K/A | Referenced | Location |
|--|-------------------|-----------------|
| Part III, Item 10 Directors and Executive Officers of the Registrant | 2001 Proxy | Page 4 to 7 |
| Part III, Item 11 Executive Compensation | 2001 Proxy | Pages 9 to 15 |
| Part III, Item 12 Security Ownership of Certain Beneficial Owners and Management | 2001 Proxy | Pages 2 and 3 |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By /s/ Janet M. Dolan
Janet M. Dolan
President, CEO and
Board of Directors
Date March 25, 2003

By /s/ Stephen G. Shank
Stephen G. Shank
Board of Directors
Date March 25, 2003

By /s/ Frank L. Sims
Frank L. Sims
Board of Directors
Date March 25, 2003

By /s/ Pamela K. Knous
Pamela K. Knous
Board of Directors
Date March 25, 2003

By /s/ Anthony T. Brausen
Anthony T. Brausen
Vice President, Chief Financial
Officer and Treasurer
Date March 25, 2003

By /s/ William I. Miller
William I. Miller
Board of Directors
Date March 25, 2003

By /s/ Greg M. Siedschlag
Greg M. Siedschlag
Corporate Controller and
Principal Accounting Officer
Date March 25, 2003

By /s/ Edwin L. Russell
Edwin L. Russell
Board of Directors
Date March 25, 2003

By /s/ James T. Hale
James T. Hale
Board of Directors
Date March 25, 2003

CERTIFICATIONS

I, Janet M. Dolan, certify that:

1. I have reviewed this annual report on Form 10-K/A of Tennant Company;
2. Based on my knowledge, this annual 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 annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: /s/ March 25, 2003

/s/ Janet M. Dolan
Janet M. Dolan
President and Chief Executive Officer

Edgar Filing: TENNANT CO - Form 10-K/A

I, Anthony T. Brausen, certify that:

1. I have reviewed this annual report on Form 10-K/A of Tennant Company;
2. Based on my knowledge, this annual 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 annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: /s/ March 25, 2003

/s/ Anthony T. Brausen
Anthony T. Brausen
Vice President, Chief Financial Officer
Treasurer
