HARRIS & HARRIS GROUP INC /NY/
Form 10-K
March 17, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2013

or

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

For the transition period from ______________________ to _____________________

Commission File No. 0-11576

HARRIS & HARRIS GROUP, INC.®
(Exact Name of Registrant as Specified in Its Charter)

New York	13-3119827
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1450 Broadway, 24th Floor, New York, New York	10018
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (212) 582-0900

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	Nasdaq Global Market

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

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

¨ Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

¨ Yes þ No

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.

þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

¨ Yes ¨ No

Indicate by check mark 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 10-K or any amendment to this Form 10-K.

¨

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

Large accelerated filer ¨	Accelerated filer þ
Non-accelerated filer ¨	Smaller reporting company ¨

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

¨ Yes þ No

The aggregate market value of the common stock held by non-affiliates of Registrant as of June 30, 2013 was $93,555,611 based on the last sale price as quoted by the Nasdaq Global Market on such date (only officers and directors are considered affiliates for this calculation).

As of March 14, 2014, the registrant had 31,197,438 shares of common stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE	INCORPORATED AT
Harris & Harris Group, Inc. Proxy Statement for the 2014 Annual Meeting of Shareholders	Part III, Items 10, 11, 12, 13 and 14

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PART I

Item 1. Business.

Harris & Harris Group, Inc.® (the "Company," "us," "our," and "we"), is an internally managed venture capital company that builds transformative companies from disruptive science. We have elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, (the "1940 Act"). For tax purposes, we have elected to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986. We were incorporated under the laws of the state of New York in August 1981. Our investment objective is to achieve long-term capital appreciation by making venture capital investments. Generation of current income is a secondary objective. We define venture capital investments as the money and resources made available to privately held and publicly traded small businesses that we believe have exceptional growth potential. Our investment approach is comprised of a patient examination of available opportunities, thorough due diligence and close involvement with management of our portfolio companies. As a venture capital company, we invest in and offer managerial assistance to our portfolio companies, many of which, in our opinion, have significant potential for growth. We are overseen by our Board of Directors and managed by our officers and have no external investment advisor.

In our Letter to Shareholders dated October 8, 2013, we noted that our investment focus over the coming years will have two characteristics: 1) it will be early stage, where our focus will be on founding, incubating and building transformative companies from disruptive science and 2) it will be focused on BIOLOGY+. We define our investment focus of BIOLOGY+ as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. We focus on this intersection because we believe interdisciplinary innovation will be required in order to address many of the life science challenges of the future. As of December 31, 2013, 59 percent of the value of our venture capital portfolio is invested in BIOLOGY+ companies. Since 2008, 79 percent of our initial investments have been in BIOLOGY+ companies.

Prior to our focus on BIOLOGY+, since 2002, we have made venture capital investments in science-enabled companies, particularly those that are commercializing or integrating products enabled by nanotechnology or microsystems. This investment focus is not a fundamental policy and, accordingly, may be changed without shareholder approval, although we have stated that we intend to give shareholders at least 60 days prior notice of any change in our nanotechnology focus.

To date, all of our BIOLOGY+ companies have also been commercializing or integrating products enabled by nanotechnology. At this time, we are expanding our investment focus within the area of BIOLOGY+ and may make investments that are not enabled at the nanoscale or microscale. We will not make BIOLOGY+ investments that are not also nanotechnology or microsystems investments for 60 days from receipt of this Annual Report. Our focus on BIOLOGY+ is not a fundamental policy, and we will not be required to give notice to shareholders prior to making a

change from this focus.

We have demonstrated that we have the ability to discover, diligence, invest, build and realize gains in transformative companies built from disruptive science. We spend a tremendous amount of time with these companies, often playing managerial roles in the earliest stages of their development. Our technical knowledge is important at this stage. Our success in building management teams and focusing on key market opportunities is critical at this stage. As these companies develop, we continue to invest in them, and we invite other investors with complementary skill-sets to invest and add value. In many of these companies, there is a round of capital that has an asymmetrical or outsized return potential compared to other rounds. By being in the companies early, and by recognizing this opportunity, we believe we have the potential to deliver outsized returns even though the investment time period may be long. We also believe we have an investment thesis and an interdisciplinary team that are difficult to replicate and give us a competitive advantage.

As of December 31, 2013, our venture capital portfolio comprised 75.1 percent of our total assets, our cash and U.S. Treasury holdings comprised 22.0 percent of our total assets, and other assets comprised the remaining 2.9 percent of our total assets. As of December 31, 2013, we had no debt outstanding.

Neither our investments, nor an investment in us, is intended to constitute a balanced investment program. We expect to be risk seeking rather than risk averse in our investment approach. To such end, we reserve the fullest possible freedom of action, subject to our certificate of incorporation, applicable law and regulations, and policy statements contained herein. There is no assurance that our investment objectives will be achieved.

We expect to invest a substantial portion of our assets in securities that we consider to be private venture capital equity investments. These private venture capital equity investments usually do not pay interest or dividends and typically are subject to legal or contractual restrictions on resale that may adversely affect the liquidity and marketability of such securities. Some of our convertible bridge notes may result in payment-in-kind ("PIK") interest. We do not limit our investments to any particular industries or categories of investments enabled by nanotechnology and microsystems. Our securities investments may consist of private, public or governmental issuers of any type, subject to the restrictions imposed on us as a BDC under the 1940 Act. Subject to the diversification requirements applicable to a RIC, we may commit all of our assets to only a few investments.

We currently invest our capital directly into portfolio companies. We may in the future seek to invest our capital alongside capital from other investors through investment funds that we control. Such funds could provide benefits to us including 1) the generation of income from management fees; 2) the potential to participate economically in the returns on the funds invested above and beyond the returns generated from investment of our capital; 3) the ability for us to increase the amount of capital under our control invested per portfolio company and 4) in cases where we may partner with one or more corporations, we gain access to market intelligence and distribution and manufacturing expertise that complements our expertise in identifying disruptive innovations and building companies.

Achievement of our investment objective is dependent upon the judgment of a team of four professional, full-time members of management, all of whom are designated as Managing Directors: Douglas W. Jamison, Daniel B. Wolfe, Alexei A. Andreev and Misti Ushio. This team collectively has expertise in venture capital investing, intellectual property and science and technology. There can be no assurance that a suitable replacement could be found for any of our officers upon their retirement, resignation, inability to act on our behalf, or death.

Subject to continuing to meet the compliance tests applicable to BDCs under the 1940 Act, there are no limitations on the types of securities or other assets in which we may invest. Investments may include the following:

- Venture capital investments, whether in corporate, partnership or other form, including small businesses;
- Equity, equity-related securities (including warrants and options) and debt with equity features from either private or public issuers;
- Debt obligations of all types having varying terms with respect to security or credit support, subordination, purchase price, interest payments and maturity;
- Foreign securities;
- Intellectual property or patents or research and development in technology or product development that may lead to patents or other marketable technology; and
- Miscellaneous investments.

Investments and Strategies

The following is a summary description of the types of assets in which we may invest, the investment strategies we may use and the attendant risks associated with our investments and strategies.

Venture Capital Investments

We define venture capital as the money and resources made available to privately held and publicly traded small businesses that we believe have exceptional growth potential. These businesses can range in stage from pre-revenue to generating positive cash flow. Substantially all of our long-term venture capital investments are in thinly capitalized, unproven, small companies focused on commercializing risky technologies. These businesses also tend to lack management depth, to have limited or no history of operations and to have not attained profitability. Because of the speculative nature of these investments, these securities have a significantly greater risk of loss than traditional investment securities. Some of our venture capital investments will never realize their potential, and some will be unprofitable or result in complete loss of our investment. Some of our venture capital investments will build successful companies but will not provide a return to us.

We may own 100 percent of the securities of a small business for a period of time and may control the company for a substantial period. Small businesses are more vulnerable to adverse business or economic developments than better-capitalized companies. Small businesses generally have limited product lines, markets and/or financial resources. Publicly traded small businesses and those with small market capitalizations are not well known to the investing public and are generally subject to high volatility, to general movements in markets, to perceptions of potential growth and/or the potential for bankruptcy.

In connection with our venture capital investments, we may participate in providing a variety of services to our portfolio companies, including the following:

- recruiting management;
- formulating operating strategies;
- formulating intellectual property strategies;
- assisting in financial planning;
- providing management in the initial start-up stages;
- introducing corporate and development partners; and
- establishing corporate goals.

We may assist in raising additional capital for these companies from other potential investors and may subordinate our own investment to that of other investors. We typically find it necessary or appropriate to provide additional capital of our own in rounds of financing subsequent to our initial investment. We may introduce these companies to potential joint venture partners, suppliers and customers. In addition, we may assist in establishing relationships with investment bankers and other professionals. We may also assist management of our investee companies with strategy and execution of merger and acquisition ("M&A") transactions. While we do not currently derive income from these companies for the performance of any of the above services, we may seek to do so in the future.

We may control, be represented on, or have observer rights on the board of directors of a portfolio company through one or more of our officers or directors, who may also serve as officers of the portfolio company. We indemnify our officers and directors for serving on the boards of directors or as officers of portfolio companies, which exposes us to

additional risks. Particularly during the early stages of an investment, we may, in rare instances, in effect be conducting the operations of the portfolio company. As an early-stage company emerges from the developmental stage with greater management depth and experience, we expect that our role in the portfolio company's day-to-day operations will diminish. Our goal is to assist each company in establishing its own independent capitalization, management and board of directors. We expect to be able to reduce our involvement in those small businesses that become successful, as well as in those small businesses that fail.

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Equity, Equity-Related Securities and Debt with Equity Features

We may invest in equity, equity-related securities and debt with equity features. These securities include common stock or units, preferred stock or units, debt instruments convertible into common or preferred stock or units, limited partnership interests, other beneficial ownership interests and warrants, options or other rights to acquire or agreements to sell any of the foregoing.

We primarily make investments in companies with operating histories that are unprofitable or marginally profitable, that have negative net worth, or that are involved in bankruptcy or reorganization proceedings. These investments would involve businesses that management believes have potential for rapid growth through the infusion of additional capital and management assistance. In addition, we may make investments in connection with the acquisition or divestiture of companies or divisions of companies. There is a significantly greater risk of loss with these types of securities than is the case with traditional investment securities.

Warrants, options and convertible or exchangeable securities generally give the investor the right to acquire specified equity securities of an issuer at a specified price during a specified period or on a specified date. Warrants and options fluctuate in value in relation to the value of the underlying security and the remaining life of the warrant or option, while convertible or exchangeable securities fluctuate in value both in relation to the intrinsic value of the security without the conversion or exchange feature and in relation to the value of the conversion or exchange feature, which is like a warrant or option. When we invest in these securities, we incur the risk that the option feature will expire worthless, thereby either eliminating or diminishing the value of our investment.

Most of our current portfolio company investments are in the equity securities of private companies. Investments in equity securities of private companies often involve securities that are restricted as to sale and cannot be sold in the open market without registration under the Securities Act of 1933 or pursuant to a specific exemption from these registrations. Opportunities for sale are more limited than in the case of marketable securities, although these investments may be purchased at more advantageous prices and may offer attractive investment opportunities. Even if one of our portfolio companies completes an initial public offering ("IPO"), we are typically subject to a lock-up agreement for 180 days, and the stock price may decline substantially before we are free to sell or enter into contracts to sell these shares. These lock-up restrictions apply to us and our shares of the portfolio company owned prior to the IPO and may include shares purchased by us in an IPO. These restrictions generally include provisions that stipulate that we are not permitted to offer, pledge or sell our shares, including selling covered call options on our shares, prior to the expiration of the lock-up period. We are also prohibited from entering into new securities lending arrangements for these securities during the lock-up period.

We may employ an option strategy of writing (selling) covered call options or purchasing put options on one or more of our public portfolio companies once any restrictions and/or lock-up periods expire. Call options are contracts representing the right to purchase a common stock at a specified price (the "strike price") at a specified future date (the "expiration date"). Selling a covered call option represents an obligation to sell a specified number of shares of common stock at a strike price by an expiration date if the stock achieves the strike price and if it is called. A call option whose strike price is above the current price of the underlying stock is called "out-of-the-money." A call option whose strike price is below the current price of the underlying stock is called "in-the-money." When stocks in the portfolio rise, call options that were out-of-the-money when written may become in-the-money, thereby increasing the likelihood that they could be exercised, and we would be forced to sell the stock. While this may be desirable in some instances, we may minimize undesirable option assignments by repurchasing the call options prior to expiration, generating a gain or loss in the options. If the options were not to be repurchased, the option holder could exercise its rights and buy the stock from us at the strike price if the stock traded at a higher price than the strike price. We will only "sell" or "write" options on common stocks held in our portfolio. We will not sell "naked" call options, *i.e.*, options representing more shares of the stock than are held in the portfolio. For conventional listed call options, the options' expiration dates are commonly up to nine months from the date the call options are first listed for trading. Longer-term call options can have expiration dates up to three years from the date of listing. We currently expect the majority of written call options to have expirations of equal to or less than one year from the date the call option is first listed for trading.

We may also purchase put options as a method of limiting the downside risk that the price per share of these companies may decrease substantially from current levels. A put option gives its holder the right to sell a specified number of shares of a specific security at a specific price (known as the exercise strike price) by a certain date. The buyer of a put option is betting that the price of the security will decrease before the option expires. The risk for us as the option holder is that the option expires unexercised, and we would have lost the money spent on buying the option.

We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in market conditions, currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions.

We may also invest in publicly traded securities of whatever nature, including relatively small, emerging growth companies that management believes have long-term growth potential. These investments may be through open-market transactions or through private placements in publicly traded companies ("PIPEs"). Securities purchased in PIPE transactions are typically subject to a lock-up agreement for 180 days, or are issued as unregistered securities that are not freely tradable for at least six months.

Even if we have registration rights to make our investments in privately held and publicly traded companies more marketable, a considerable amount of time may elapse between a decision to sell or register the securities for sale and

the time when we are able to sell the securities. The prices obtainable upon sale may be adversely affected by market conditions, by the level of average trading volume of the underlying stock as compared with the position offered for sale or negative conditions affecting the issuer during the intervening time. We may elect to hold formerly restricted securities after they have become freely marketable, either because they remain relatively illiquid or because we believe that they may appreciate in value. During this holding period, the value of these securities may decline and be especially volatile. If we need funds for investment or working capital purposes, we might need to sell marketable securities at disadvantageous times or prices.

Debt Investments

We may hold debt securities, including in privately held and thinly traded public companies, for income and as a reserve pending more speculative investments. Debt obligations may include U.S. government and agency securities, commercial paper, bankers' acceptances, receivables or other asset-based financing, notes, bonds, debentures, or other debt obligations of any nature and repurchase agreements related to these securities. These obligations may have varying terms with respect to security or credit support, subordination, purchase price, interest payment and length of time to maturity from private, public or governmental issuers of any type located anywhere in the world. We may invest in debt obligations of companies with operating histories that are unprofitable or marginally profitable, that have negative net worth or are involved in bankruptcy or reorganization proceedings, or that are start-up or development-stage small businesses. In addition, we may participate in the acquisition or divestiture of companies or divisions of companies through issuance or receipt of debt obligations. As of December 31, 2013, the debt obligations held in our portfolio consisted of convertible bridge notes, secured non-convertible notes, senior secured debt, and senior secured non-convertible debt through participation agreements. The convertible bridge notes generally do not generate cash payments to us, nor are they held for that purpose. Our convertible bridge notes and the interest accrued thereon are generally held for the purpose of potential conversion into equity at a future date.

Our investments in debt obligations may be of varying quality, including non-rated, unsecured, highly speculative debt investments with limited marketability. Investments in lower-rated and non-rated securities, commonly referred to as "junk bonds," including our non-convertible debt investments, are subject to special risks, including a greater risk of loss of principal and non-payment of interest. Generally, lower-rated and non-rated securities offer a higher return potential than higher-rated securities, but involve greater volatility of price and greater risk of loss of income and principal, including the possibility of default or bankruptcy of the issuers of these securities. Lower-rated securities and comparable non-rated securities will likely have large uncertainties or major risk exposure to adverse economic conditions and are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. In addition, issuers of lower-rated securities and comparable non-rated securities are often highly leveraged and may not have more traditional methods of financing available to them; therefore, their ability to service their debt obligations during an economic downturn or during sustained periods of rising interest rates may be impaired. The risk of loss owing to default by these issuers is significantly greater because lower-rated securities and comparable non-rated securities generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. We may incur additional expenses to the extent that we are required to seek recovery upon a default in the payment of principal or interest on our portfolio holdings. In addition, many of the companies in which we invest have limited cash flows and no income, which may limit our ability to recover in the event of a default.

The markets in which lower-rated securities or comparable non-rated securities are traded generally are more limited than those in which higher-rated securities are traded. The existence of limited markets for these securities may restrict our ability to obtain accurate market quotations for the purposes of valuing lower-rated or non-rated securities and calculating net asset value or to sell securities at their fair value. The market values of lower-rated and non-rated securities also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher-rated securities. The occurrence of adverse conditions and uncertainties to issuers of lower-rated securities would likely reduce the value of lower-rated or non-rated securities held by us, with a commensurate effect on the

value of our shares, when applicable.

The market values of investments in debt securities that carry no equity conversion rights usually reflect yields generally available on securities of similar quality and type at the time purchased. When interest rates decline, the market value of a debt portfolio already invested at higher yields can be expected to rise if the securities are protected against early call. Similarly, when interest rates increase, the market value of a debt portfolio already invested at lower yields can be expected to decline. Deterioration in credit quality also generally causes a decline in market value of the security, while an improvement in credit quality generally leads to increased value.

Foreign Securities

We may make investments in securities of issuers whose principal operations are conducted outside the United States, and whose earnings and securities are stated in foreign currency. In order to maintain our status as a BDC, our investments in non-qualifying assets, including the securities of companies organized outside the United States, would be limited to 30 percent of our assets, because under the 1940 Act, we must generally invest at least 70 percent of our assets in "qualifying assets," which exclude securities of foreign companies.

In comparison with otherwise comparable investments in securities of U.S. issuers, currency exchange risk of securities of foreign issuers is a significant variable. The value of these investments to us will vary with the relation of the currency in which they are denominated to the U.S. dollar, as well as with intrinsic elements of value such as credit risk, interest rates and performance of the issuer. Investments in foreign securities also involve risks relating to economic and political developments, including nationalization, expropriation of assets, currency exchange freezes and local recession. Securities of many foreign issuers are less liquid and more volatile than those of comparable U.S. issuers. Interest and dividend income and capital gains on our foreign securities may be subject to withholding and other taxes that may not be recoverable by us. We may seek to hedge all or part of the currency risk of our investments in foreign securities through the use of futures, options and forward currency purchases or sales.

Intellectual Property

We believe there is a role for organizations that can assist in technology transfer. Scientists and institutions that develop and patent intellectual property perceive the need for and rewards of entrepreneurial commercialization of their inventions.

Our form of investment may be:

- funding research and development in the development of a technology;

- obtaining licensing rights to intellectual property or patents;

- acquiring intellectual property or patents; or

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· forming and funding companies or joint ventures to commercialize further intellectual property.

Income from our investments in intellectual property or its development may take the form of participation in licensing or royalty income, fee income, or some other form of remuneration. In order to satisfy RIC requirements, these investments will normally be held in an entity taxable as a corporation. Investment in developmental intellectual property rights involves a high degree of risk that can result in the loss of our entire investment as well as additional risks, including uncertainties as to the valuation of an investment and potential difficulty in liquidating an investment. Further, investments in intellectual property generally require investor patience, as investment return may be realized only after or over a long period. At some point during the commercialization of a technology, our investment may be transformed into ownership of securities of a small business, as discussed under "Venture Capital Investments" above.

Borrowing and Margin Transactions

We may from time to time borrow money or obtain credit by any lawful means from banks, lending institutions, other entities or individuals, in negotiated transactions. We may issue, publicly or privately, bonds, debentures or notes, in series or otherwise, with interest rates and other terms and provisions, including conversion rights, on a secured or unsecured basis, for any purpose, up to the maximum amounts and percentages permitted for BDCs under the 1940 Act. The 1940 Act currently prohibits us from borrowing any money or issuing any other senior securities (including preferred stock but excluding temporary borrowings of up to five percent of our assets), if after giving effect to the borrowing or issuance, the value of our total assets less liabilities not constituting senior securities would be less than 200 percent of our senior securities. We may pledge assets to secure any borrowings. As of December 31, 2013, we had no debt.

On September 30, 2013, the Company entered into a $20,000,000 Multi-Draw Term Loan Facility Credit Agreement, by and among the Company, as borrower, Orix Corporate Capital, Inc., as administrative agent and the other lenders party thereto from time to time, which provides for a multi-draw credit facility (the "Loan Facility") that may be used by the Company to fund investments in portfolio companies. We have pledged our assets to secure any borrowings. As of December 31, 2013, we had no borrowings outstanding.

A primary purpose of our borrowing power is for leverage and to increase our ability to acquire larger positions in our investments while maintaining a substantial balance of cash on our balance sheet. As discussed in more detail below in "Management's Discussion and Analysis of Financial Condition and Results of Operations," we believe we need a strong balance sheet to have access to the best deal flow. Borrowings for leverage accentuate any increase or decrease in the market value of our investments and thus our net asset value. Because any decline in the net asset value of our investments will be borne first by holders of common stock, the effect of leverage in a declining market would be a greater decrease in net asset value applicable to the common stock than if we were not leveraged. Any decrease would likely be reflected in a decline in the market price of our common stock. To the extent the income derived from assets acquired with borrowed funds exceeds the interest and other expenses associated with borrowing, our total income will be greater than if borrowings were not used. Conversely, if the income from assets is not sufficient to cover the

borrowing costs, our total income will be less than if borrowings were not used. If our current income is not sufficient to meet our borrowing costs (repayment of principal and interest), we might have to liquidate some or all of our investments when it may be disadvantageous to do so. Our borrowings for the purpose of buying most liquid equity securities will be subject to the margin rules, which require excess liquid collateral marked to market daily. If we are unable to post sufficient collateral, we will be required to sell securities to remain in compliance with the margin rules. These sales might be at disadvantageous times or prices.

Portfolio Company Turnover

Changes with respect to portfolio companies will be made as our management considers necessary in seeking to achieve our investment objectives. The rate of portfolio turnover will not be treated as a limiting or relevant factor considered by management when making portfolio changes.

Although we expect that many of our investments will be relatively long term in nature, we may make changes in our particular portfolio holdings whenever it is considered that an investment no longer has substantial growth potential or has reached its anticipated level of performance, or (especially when cash is not otherwise available) that another investment appears to have a relatively greater opportunity for capital appreciation. We may also make general portfolio changes to increase our cash to position us in a defensive posture. We may make portfolio changes without regard to the length of time we have held an investment, or whether a sale results in profit or loss, or whether a purchase results in the reacquisition of an investment that we may have only recently sold. Our investments in privately held small businesses are illiquid, which limits portfolio turnover. The portfolio turnover rate may vary greatly during a year as well as from year to year and may also be affected by cash requirements.

Competition

Numerous companies and individuals are engaged in the venture capital business, and such business is intensely competitive. We believe our corporate structure permits public market investors to participate in venture capital and to participate in the commercialization of science-related breakthroughs while many of the leading companies are still private. We also believe our corporate structure permits greater liquidity and better transparency than other venture capital businesses. We believe that we have invested in more science-enabled small businesses than any publicly traded venture capital firm. We believe we have assembled a team of investment professionals that, in addition to a proven track record of successful venture capital investing, have scientific and intellectual property expertise that is relevant to investing in science-related breakthroughs. Nevertheless, many of our competitors have significantly greater financial and other resources than we do and are, therefore, in certain respects, in a better position than we are to obtain access to attractive venture capital investments. There can be no assurance that we will be able to compete against these venture capital businesses for attractive investments, particularly in capital-intensive companies.

Regulation

The Small Business Investment Incentive Act of 1980 added the provisions of the 1940 Act applicable only to BDCs. BDCs are a special type of investment company. After a company files its election to be treated as a BDC, it may not withdraw its election without first obtaining the approval of holders of a majority of its outstanding voting securities. The following is a brief description of the 1940 Act provisions applicable to BDCs, qualified in its entirety by reference to the full text of the 1940 Act and the rules issued thereunder by the Securities and Exchange Commission ("SEC").

Generally, to be eligible to elect BDC status, a company must primarily engage in the business of furnishing capital and making significant managerial assistance available to companies that do not have ready access to capital through conventional financial channels. Such companies that satisfy certain additional criteria described below are termed "eligible portfolio companies." In general, in order to qualify as a BDC, a company must: (i) be a domestic company; (ii) have registered a class of its securities pursuant to Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"); (iii) operate for the purpose of investing in the securities of certain types of portfolio companies, including early-stage or emerging companies and businesses suffering or just recovering from financial distress (see following paragraph); (iv) make available significant managerial assistance to such portfolio companies; and (v) file a proper notice of election with the SEC.

An eligible portfolio company generally is a domestic company that is not an investment company or a company excluded from investment company status pursuant to exclusions for certain types of financial companies (such as brokerage firms, banks, insurance companies and investment banking firms) and that: (i) has a fully diluted market capitalization of less than $250 million and has a class of equity securities listed on a national securities exchange, (ii) does not have a class of securities listed on a national securities exchange, or (iii) is controlled by the BDC by itself or together with others (control under the 1940 Act is presumed to exist where a person owns at least 25 percent of the outstanding voting securities of the portfolio company) and has a representative on the Board of Directors of such company.

As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. A majority of the directors must be persons who are not interested persons, as that term is defined in the 1940 Act. Additionally, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the BDC. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our shareholders arising from willful malfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office. We may be periodically examined by the SEC for compliance with the 1940 Act.

The 1940 Act provides that we may not make an investment in non-qualifying assets unless at the time at least 70 percent of the value of our total assets (measured as of the date of our most recently filed financial statements)

consists of qualifying assets. Qualifying assets include: (i) securities of eligible portfolio companies; (ii) securities of certain companies that were eligible portfolio companies at the time we initially acquired their securities and in which we retain a substantial interest; (iii) securities of certain controlled companies; (iv) securities of certain bankrupt, insolvent or distressed companies; (v) securities received in exchange for or distributed in or with respect to any of the foregoing; and (vi) cash items, U.S. government and agency securities and high quality short-term debt. The SEC has adopted a rule permitting a BDC to invest its cash in certain money market funds. The 1940 Act also places restrictions on the nature of the transactions in which, and the persons from whom, securities can be purchased in some instances in order for the securities to be considered qualifying assets.

We are permitted by the 1940 Act, under specified conditions, to issue multiple classes of debt and a single class of preferred stock if our asset coverage, as defined in the 1940 Act, is at least 200 percent after the issuance of the debt or the preferred stock (i.e., such senior securities may not be in excess of our net assets). Under specific conditions, we are also permitted by the 1940 Act to issue warrants.

Except under certain conditions, we may sell our securities at a price that is below the prevailing net asset value per share only during the 12-month period after (i) a majority of our directors and our disinterested directors have determined that such sale would be in the best interest of us and our shareholders and (ii) the holders of a majority of our outstanding voting securities and the holders of a majority of our voting securities held by persons who are not affiliated persons of ours approve our ability to make such issuances. A majority of the disinterested directors must determine in good faith that the price of the securities being sold is not less than a price which closely approximates the market value of the securities, less any distribution discount or commission.

Certain transactions involving certain closely related persons of the Company, including its directors, officers and employees, may require the prior approval of the SEC. However, the 1940 Act ordinarily does not restrict transactions between us and our portfolio companies.

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements.

Tax Status

We have elected to be treated as a RIC, taxable under Subchapter M of the Internal Revenue Code of 1986 (the "Code"), for federal income tax purposes. In general, a RIC is not taxable on its income or gains to the extent it distributes such income or gains to its shareholders. In order to qualify for favorable RIC tax treatment, we must, in general, (1) annually derive at least 90 percent of our gross income from dividends, interest and gains from the sale of securities and similar sources (the "Income Source Rule"); (2) quarterly meet certain investment asset diversification requirements (the "Asset Diversification Rule"); and (3) annually distribute at least 90 percent of our investment company taxable income as a dividend (the "Income Distribution Rule"). Any taxable investment company income not distributed will be subject to corporate level tax. Any taxable investment company income distributed generally will be taxable to shareholders as dividend income.

In addition to the requirement that we must annually distribute at least 90 percent of our investment company taxable income, we may either distribute or retain our realized net capital gains from investments, but any net capital gains not distributed may be subject to corporate level tax. Any net capital gains distributed generally will be taxable to shareholders as long-term capital gains.

In lieu of actually distributing our realized net capital gains, we as a RIC may retain all or part of our net capital gains and elect to be deemed to have made a distribution of the retained portion to our shareholders under the "designated undistributed capital gain" rules of the Code. We currently intend to retain and so designate all of our net capital gains. In this case, the "deemed dividend" generally is taxable to our shareholders as long-term capital gains. Although we pay tax at the corporate rate on the amount deemed to have been distributed, our shareholders receive a tax credit equal to their proportionate share of the tax paid and an increase in the tax basis of their shares by the amount per share retained by us.

To the extent that we declare a deemed dividend, each shareholder will receive an IRS Form 2439 that will reflect each shareholder's receipt of the deemed dividend income and a tax credit equal to each shareholder's proportionate share of the tax paid by us. This tax credit, which is paid at the corporate rate, is often credited at a higher rate than the actual tax due by a shareholder on the deemed dividend income. The "residual" credit can be used by the shareholder to offset other taxes due in that year or to generate a tax refund to the shareholder. Tax exempt investors may file for a refund.

The following simplified examples illustrate the tax treatment under Subchapter M of the Code for us and our individual shareholders with regard to three possible distribution alternatives, assuming a net capital gain of $1.00 per share, consisting entirely of sales of non-real property assets held for more than 12 months.

Under Alternative A: 100 percent of net capital gain declared as a cash dividend and distributed to shareholders:

1. No federal taxation at the Company level.

2. Taxable shareholders receive a $1.00 per share dividend and pay federal tax at a rate not in excess of 15 percent* or $.15 per share, retaining $.85 per share.

3. Non-taxable shareholders that file a federal tax return receive a $1.00 per share dividend and pay no federal tax, retaining $1.00 per share.

Under Alternative B (Current Tax Structure Employed): 100 percent of net capital gain retained by the Company and designated as "undistributed capital gain" or deemed dividend:

1. The Company pays a corporate-level federal income tax of 35 percent on the undistributed gain or $.35 per share and retains 65 percent of the gain or $.65 per share.

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2. Taxable shareholders increase their cost basis in their stock by $.65 per share. They pay federal capital gains tax at a rate not in excess of 15 percent* on 100 percent of the undistributed gain of $1.00 per share or $.15 per share in tax. Offsetting this tax, shareholders receive a tax credit equal to 35 percent of the undistributed gain or $.35 per share.

3. Non-taxable shareholders that file a federal tax return receive a tax refund equal to $.35 per share.

*Assumes all capital gains qualify for long-term rates of 15 percent, which may increase for gains realized after December 31, 2013.

Under Alternative C: 100 percent of net capital gain retained by the Company, with no designated undistributed capital gain or deemed dividend:

1. The Company pays a corporate-level federal income tax of 35 percent on the retained gain or $.35 per share plus an excise tax of four percent of $.98 per share, or about $.04 per share.

2. There is no tax consequence at the shareholder level.

Although we may retain income and gains subject to the limitations described above (including paying corporate level tax on such amounts), we could be subject to an additional four percent excise tax if we fail to distribute 98 percent of our "regulated investment company ordinary income" and 98.2 percent of our "capital gain net income" for the relevant determination period.

As noted above, in order to qualify as a RIC, we must satisfy the Asset Diversification Rule each quarter. Because of the specialized nature of our investment portfolio, in some years we have been able to satisfy the diversification requirements under Subchapter M of the Code primarily as a result of receiving certification from the SEC under the Code with respect to each taxable year beginning after 1998 that we were "principally engaged in the furnishing of capital to other corporations which are principally engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available" for such year.

Although we received SEC certifications for 1999-2012, there can be no assurance that we will receive such certification for subsequent years (to the extent we need additional certifications as a result of changes in our

portfolio). We intend to apply for certification for 2013. If we require, but fail to obtain, the SEC certification for a taxable year, we may fail to qualify as a RIC for such year. We also will fail to qualify for favorable RIC tax treatment for a taxable year if we do not satisfy the Income Source Rule or Income Distribution Rule for such year. In the event we do not satisfy the Income Source Rule, the Asset Diversification Rule and the Income Distribution Rule for any taxable year, we will be subject to federal tax with respect to all of our taxable income, whether or not distributed. In addition, all our distributions to shareholders in that situation generally will be taxable as ordinary dividends.

Although we currently intend to qualify as a RIC for each taxable year, under certain circumstances we may choose to take action with respect to one or more taxable years to ensure that we would be taxed under Subchapter C of the Code (rather than Subchapter M) for such year or years. Additionally, our ownership percentages in our portfolio have grown over the last several years, which make it more difficult to pass certain RIC diversification tests when companies in our portfolio are successful and we want to invest more capital in those companies to increase our investment returns. As long as the aggregate values of our non-qualifying assets remain below 50 percent of total assets, we will continue to qualify as a RIC. Rather than selling portfolio companies that are performing well in order to pass our RIC diversification tests, we may opt instead not to qualify as a RIC. We will choose to take such action only if we believe that the result of the action will benefit us and our shareholders.

Subsidiaries

H&H Ventures Management, Inc.^{SM} ("Ventures"), formerly Harris & Harris Enterprises, Inc.^{SM}, is a 100 percent wholly owned subsidiary of the Company and is consolidated in our financial statements. Ventures is a partner in Harris Partners I, L.P.^{SM}, and is taxed as a C Corporation. Harris Partners I, L.P., is a limited partnership and has historically owned our interests in partnership investments. The partners of Harris Partners I, L.P., are Ventures (sole general partner) and the Company (sole limited partner). Ventures, as the sole general partner, consolidates Harris Partners I, L.P.

Available Information

Additional information about us, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available as soon as reasonably practicable free of charge on our website at www.HHVC.com. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K, and you should not consider that information to be part of this Annual Report on Form 10-K.

You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information regarding the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Employees

As of December 31, 2013, we employed 11 full-time employees and two part-time employees. We believe our relations with our employees are generally good.

Item 1A. Risk Factors.

Investing in our common stock involves significant risks relating to our business and investment objective. You should carefully consider the risks and uncertainties described below before you purchase any shares of our common stock. These risks and uncertainties are not the only ones we face. Unknown additional risks and uncertainties, or ones that we currently consider immaterial, may also impair our business. If any of these risks or uncertainties materialize, our business, financial condition or results of operations could be materially adversely affected. In this event, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risks related to our investments.

Approximately 38 percent of the net asset value attributable to our equity-focused venture capital investment portfolio, or 27.4 percent of our net asset value, as of December 31, 2013, is concentrated in Adesto Technologies Corporation, Metabolon, Inc., and Molecular Imprints, Inc.

At December 31, 2013, we valued our investment in Adesto Technologies, which had a historical cost to us of $10,482,417, at $14,701,448, our investment in Metabolon, which had a historical cost to us of $7,224,999, at $10,699,204, and our investment in Molecular Imprints, which had a historical cost to us of $4,406,595, at $8,278,943, which collectively represent 38 percent of the net asset value attributable to our equity-focused venture capital investment portfolio, excluding our rights to potential future milestone payments from the sale of BioVex to Amgen, or 27.4 percent of our net asset value.

Any downturn in the business outlook and/or substantial changes in the funding requirements of Adesto Technologies or Metabolon could have a significant effect on the value of our current investments in those companies, and the overall value of our portfolio, and could have a significant adverse effect on the value of our common stock.

The difficult venture capital investment and capital market climates for the types of companies in which we invest could increase the non-performance risk for our portfolio companies.

While the public markets and corporate growth are improving, unemployment remains high, and there are global instabilities, including sovereign debt issues and the potential for future inflation. Even with signs of economic improvement, the availability of capital for venture capital firms and early-stage companies, particularly for capital-intensive, science-enabled, small businesses such as the ones in which we invest, continues to be limited. Historically, difficult venture environments have resulted in a higher than normal number of small businesses not

receiving financing and being subsequently closed down with a loss to venture investors, and other small businesses receiving financing but at significantly lower valuations than the preceding financing rounds. This issue is compounded by the fact that many existing venture capital firms have few remaining years of investment and available capital owing to the finite lifetime of the funds managed by these firms. Additionally, even if a firm were able to raise a new fund, commonly new funds are not permitted to invest with old funds in existing investments. As such, improvements in the liquidity environment for venture-backed companies through IPOs and M&A transactions and the currently improving public markets in general may not translate to an increase in the available capital to venture-backed companies, particularly those that have investments from funds that are in the latter stage of life unless such improvements continue for some time into the future. Further, many of our portfolio companies receive non-dilutive funding through government contracts and grants. Reductions in government spending could have a direct and significant reduction in our portfolio companies' contract or grant awards. Such reductions can also result in reduced budgets at research facilities, which would reduce the volume of products they could potentially purchase from our portfolio companies.

We believe that these factors continue to introduce significant non-performance risk for our portfolio companies that need to raise additional capital or that require substantial amounts of capital to execute on their business plans. We define non-performance as the risk that the price per share (or implied valuation of a portfolio company) or the effective yield of a debt security of a portfolio company, as applicable, does not appropriately represent the risk that a portfolio company that requires or seeks to raise additional capital will be: (a) unable to raise capital, will need to be shut down and will not return our invested capital; or (b) able to raise capital, but at a valuation significantly lower than the implied post-money valuation of the most recent round of financing. In these circumstances, the portfolio company could be recapitalized at a valuation significantly lower than the post-money valuation implied by our valuation method, sold at a loss to our investment or shut down. In addition, significant changes in the capital markets, including periods of extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. We believe further that the long-term effects of the difficult venture capital investment and difficult, but improving, liquidity environments will continue to affect negatively the fundraising ability of some small businesses regardless of near-term improvements in the overall global economy and public markets.

Changes in valuations of early-stage small businesses tend to be more volatile than changes in prices of established, more mature securities.

Investments in early- and mid-stage small businesses may be inherently more volatile than investments in more mature businesses. Such immature businesses are inherently fragile and easily affected by both internal and external forces. Our investee companies can lose much or all of their value suddenly in response to an internal or external adverse event. Conversely, these immature small businesses can gain suddenly in value in response to an internal or external positive development. Moreover, because of the lack of daily pricing mechanisms of our privately held companies, our ownership interests in such investments are generally valued only at quarterly intervals by our Valuation Committee. Thus, changes in valuations from one valuation point to another may be larger than changes in valuations of marketable securities that are revalued in the marketplace much more frequently, in some highly liquid cases, virtually continuously. Although we carefully monitor each of our portfolio companies, information pertinent to our portfolio companies is not always known immediately by us, and, therefore, its availability for use in determining value may not always coincide with the timeframe of our valuations required by the federal securities laws.

As of December 31, 2013, our shares of Champions Oncology, Inc., which trades on an OTC exchange, were valued using the closing price at the end of the quarter as required by the 1940 Act. In quarters prior to June 30, 2013, these shares were fair valued by our Board of Directors owing to our determination that there was not an active market as of the dates of valuation. If in future quarters, shares of Champions Oncology do not continue to trade in an active market as of the dates of valuation, the value of our shares could be materially different.

Additionally, we may price or invest in rounds at lower valuations than prior rounds of financing and/or previously reported valuations in order to receive more favorable terms, such as increased ownership percentages or liquidation preferences, which may result in decreased valuations in the interim. These decreases could be material.

The average length of time from founding to a liquidity event is at historical highs, which could result in companies remaining in our portfolio longer, leading to lower returns, write-downs and write-offs.

Beginning in about 2001, many fewer venture capital-backed companies per annum have been able to complete IPOs than in the years of the previous decade. On average, more capital and more time than in previous decades are required for companies to reach these liquidity events. This trend has and may continue to lead to companies remaining longer in our portfolio as illiquid, privately held entities that may require additional funding. In the best case, such stagnation would dampen returns, and in the worst case, could lead to write-downs and write-offs as some companies run short of cash and have to accept lower valuations in private financings or are not able to access additional capital at all. The difficult venture capital climate is also causing some venture capital firms to change their investment strategies. Accordingly, some venture capital firms are reducing funding of their portfolio companies, making it more difficult for such companies to access capital and to fulfill their potential. In some cases this leads to write-downs and write-offs of such companies by other venture capital firms, such as ourselves, who are co-investors in such companies.

Investing in small, privately held and publicly traded companies involves a high degree of risk and is highly speculative.

We have invested a substantial portion of our assets in privately held companies, the securities of which are inherently illiquid. We may also seek to invest in publicly traded small businesses that we believe have exceptional growth potential. Although these companies are publicly traded, their stock may not trade at high volumes, and prices can be volatile, which may restrict our ability to sell our positions. These privately held and publicly traded small businesses tend to lack management depth, to have limited or no history of operations and to not have attained profitability. Companies commercializing products enabled by disruptive science are especially risky, involving scientific, technological and commercialization risks. Because of the speculative nature of these investments, these securities have a significantly greater risk of loss than traditional investment securities. Some of our venture capital investments are likely to be complete losses or unprofitable, and some will never realize their potential. We have been and will continue to be risk seeking rather than risk averse in our approach to venture capital and other investments. Neither

our investments nor an investment in our common stock is intended to constitute a balanced investment program.

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We have historically invested in sectors including life sciences, energy and electronics that are subject to specific risks related to each industry.

We have historically invested the three largest portions of our portfolio in life sciences, energy and electronics companies. All of our life sciences investments can be characterized as BIOLOGY+ companies, which we refer to as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. Our focus for new investments will be in companies focused on BIOLOGY+, which often operate in life science-related industries and markets.

Our life sciences portfolio consists of companies that commercialize and integrate products in life sciences-related industries, including biotechnology, pharmaceuticals, diagnostics and medical devices. There are risks in investing in companies that target life sciences-related industries, including, but not limited to, the uncertainty of timing and results of clinical trials to demonstrate the safety and efficacy of products; failure to obtain any required regulatory approval of products; failure to develop manufacturing processes that meet regulatory standards; competition, in particular from companies that develop rival products; and the ability to protect proprietary technology. Adverse developments in any of these areas may adversely affect the value of our life sciences portfolio.

This life sciences industry is dominated by large multinational corporations with substantial greater financial and technical resources than generally will be available to the portfolio companies. Such large corporations may be better able to adapt to the challenges presented by continuing rapid and major scientific, regulatory and technological changes as well as related changes in governmental and third-party reimbursement policies.

Within the life sciences industry, the development of products generally is a costly and time-consuming process. Many highly promising products ultimately fail to prove to be safe and effective. There can be no assurance that the research or product development efforts of the portfolio companies or those of their collaborative partners will be successfully completed, that specific products can be manufactured in adequate quantities at an acceptable cost and with appropriate quality, or that such products can be successfully marketed or achieve customer acceptance. There can be no assurance that a product will be relevant and/or be competitive with products from other companies following the costly, time-consuming process of its development.

The research, development, manufacturing, and marketing of products developed by some life sciences companies are subject to extensive regulation by numerous government authorities in the United States and other countries. There can be no assurance that products developed by the portfolio companies will ever be approved by such governmental authorities.

Many life sciences portfolio companies will depend heavily upon intellectual property for their competitive position. There can be no assurance that the portfolio companies will be able to obtain patents for key inventions. Moreover, within the life sciences industry, patent challenges are frequent. Even if patents held by the portfolio companies are upheld, any challenges thereto may be costly and distracting to the portfolio companies' management.

Some of the life sciences portfolio companies will be at least partially dependent for their success upon governmental and third-party reimbursement policies that are under constant review and are subject to change at any time. Any such change could adversely affect the viability of one or more portfolio companies.

We will continue to make follow-on investments in our energy companies. Additionally, our current and future BIOLOGY+ portfolio companies may address needs in energy-related industries and markets. Our energy portfolio consists of companies that commercialize and integrate products targeted at energy-related markets. There are risks in investing in companies that target energy-related markets, including the rapid and sometimes dramatic price fluctuations of commodities, particularly oil and sugar, and of public equities, the reliance on the capital and debt markets to finance large capital outlays, change in climate, including climate-related regulations, and the dependence on government subsidies to be cost-competitive with non-renewable or energy-efficient solutions. For example, the attractiveness of alternative methods for the production of biobutanol and biodiesel can be adversely affected by a decrease in the demand or price of oil. Adverse developments in this market may significantly affect the value of our energy portfolio, and thus our venture capital portfolio as a whole.

We will continue to make follow-on investments in our electronics companies. Additionally, our current and future BIOLOGY+ portfolio companies may address needs in electronics-related industries and markets. Our electronics portfolio consists of companies that commercialize and integrate products targeted at electronics-related markets. There are risks in investing in companies that target electronics-related markets, including rapid and sometimes dramatic price erosion of products, the reliance on capital and debt markets to finance large capital outlays, including fabrication facilities, the reliance on partners outside of the United States, particularly in Asia, and inherent cyclicality of the electronics market in general. Additionally, electronics-related companies are currently out of favor with many venture capital firms. Therefore, access to capital may be difficult or impossible for companies in our portfolio that are pursuing these markets.

The three main industry sectors around which our investments have developed are all capital intensive.

The industry sectors where we have historically made investments, life sciences, energy and electronics, are all capital intensive. Currently, financing for capital-intensive companies remains difficult. In some successful companies, we believe we may need to invest more than we currently have planned to invest in these companies. There can be no assurance that we will have the capital necessary to make such investments. In addition, investing greater than planned amounts in our portfolio companies could limit our ability to pursue new investments and fund follow-on investments. Both of these situations could cause us to miss investment opportunities or limit our ability to protect existing investments from dilution or other actions or events that would decrease the value and potential return from these investments.

Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or shareholder approval, the effects of which may be adverse.

We have historically made venture capital investments exclusively in companies commercializing or integrating products enabled by nanotechnology or microsystems. We recently announced the refinement of our investment focus for new investments in BIOLOGY+ companies. We define BIOLOGY+ as investments in interdisciplinary life science companies where biology innovation is intersecting with innovations in areas such as electronics, physics, materials science, chemistry, information technology, engineering and mathematics. To date, all of our BIOLOGY+ companies have also been commercializing or integrating products enabled by nanotechnology. This nanotechnology investment focus was not a fundamental policy. We have given notice with this Annual Report that we are expanding our investment focus within the area of BIOLOGY+ and may make investments in companies that are not commercializing or integrating products enabled by nanotechnology or microsystems. Our focus on BIOLOGY+ is not a fundamental policy, and we will not be required to give notice to shareholders prior to making a change from this focus.

Our Board of Directors has the authority to modify or waive our investment objective, current operating policies, investment criteria and strategies without prior notice and without shareholder approval. We cannot predict the effect any changes to our current operating policies, investment criteria and strategies would have on our business, net asset value, operating results and the value of our stock. However, the effects might be adverse, which could negatively impact our ability to pay you dividends and cause you to lose all or part of your investments.

We invest in illiquid securities and may not be able to dispose of them when it is advantageous to do so, or ever.

Most of our investments are or will be equity, equity-linked, or debt securities acquired directly from small businesses. These securities are generally subject to restrictions on resale or otherwise have no established trading market. The illiquidity of most of our portfolio of securities may adversely affect our ability to dispose of these securities at times when it may be advantageous for us to liquidate these investments. We may never be able to dispose of these securities.

In addition, we are typically subject to lock-up provisions that prohibit us from selling our investments into the public market for specified periods of time after IPOs. After a portfolio company completes an IPO, its shares are generally subject to lock-up restrictions for a period of time. These lock-up restrictions apply to us and our shares of the portfolio company, potentially including any shares purchased by us in the IPO, and generally include provisions that stipulate that we are not permitted to offer, pledge or sell our shares, including selling covered call options on our shares, prior to the expiration of the lock-up period. We are also prohibited from entering into securities lending arrangements for these securities during the lock-up period. The market price of securities that we hold may decline substantially before we are able to sell these securities.

Successful portfolio companies do not always result in positive investment returns.

Depending on the amount and timing of our investments in our portfolio companies, even if a portfolio company is ultimately successful, the returns on our investment in such portfolio company may not be positive. Our portfolio companies often receive capital from venture capitalists and/or other investors in rounds of financing. Depending on the amount of capital that it takes to operate a company until it either becomes cash flow positive or seeks to exit through an IPO or M&A transaction, each round of financing may have different terms, including liquidation preferences and control over company decisions. Depending on which rounds of financings the Company participates in and the terms of the last round of financing, the investment returns for any particular round may be higher or lower than others. Furthermore, our portfolio companies often require more capital than originally expected, and the ultimate value of those companies at realization may not be greater than the capital invested. Each of these scenarios and others could lead to a realized loss on an investment in an ultimately successful company.

Our investments in debt securities of portfolio companies may be extremely risky, and we could lose all or part of our investments.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if a portfolio company goes bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided significant "managerial assistance" to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of another creditor.

When we make an investment in a secured debt instrument of a portfolio company, we generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

To the extent we use debt to finance our investments, changes in interest rates could affect our cost of capital and net investment income.

To the extent we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the return from invested funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds could increase, which could reduce our net investment income. In addition, an increase in interest rates would make it more expensive to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. A decrease in market interest rates may adversely impact our returns on our cash invested in treasury securities, which would reduce our net investment income and cash available to fund operations. We may also use the proceeds from borrowings to invest in non-income-producing investments. Under this scenario, we would incur costs associated with the borrowings without any income to offset those costs until such investment is monetized. It is possible we may not be able to cover the costs of such borrowings from the returns on those investments.

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On September 30, 2013, the Company entered into the Loan Facility, which is a multi-draw credit facility that may be used by the Company to fund investments in portfolio companies. The Loan Facility requires payment of an unused commitment fee of one percent per annum on any unused borrowings. Borrowings under the Loan Facility bear interest at 10 percent per annum in cash. The Company has the option to have interest accrue at a rate of 13.5 percent per annum if the Company decides not to pay interest in cash when due. The Company currently plans to pay interest in cash if and when any borrowings are outstanding. As of December 31, 2013, there were no borrowings outstanding.

Our portfolio companies may incur debt that ranks senior to our investments in such companies.

We may make investments in our portfolio companies in the form of bridge notes that typically convert into preferred stock issued in the next round of financing of that portfolio company or other forms of convertible and non-convertible debt securities. Our portfolio companies usually have, or may be permitted to incur, other debt that ranks senior to the debt securities in which we invest. By their terms, debt instruments may provide that the holders are entitled to receive payment of interest and principal on or before the dates on which we are entitled to receive payments on the debt securities in which we invest. Also, in the case of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligations to us. In addition, in companies where we have made investments in the form of bridge notes or other debt securities, we may also have investments in equity in the form of preferred shares. In some cases, a bankruptcy court may subordinate our bridge notes and/or other debt securities to debt holders that do not have equity in the portfolio company.

Our portfolio companies face risks associated with international sales.

We anticipate that certain of our portfolio companies could generate revenue from international sales. Risks associated with these potential future sales include:

- Political and economic instability;
- Export controls and other trade restrictions;
- Changes in legal and regulatory requirements;
- U.S. and foreign government policy changes affecting the markets for the technologies;

- Changes in tax laws and tariffs;

- Convertibility and transferability of international currencies; and

- International currency exchange rate fluctuations.

The effect of global climate change may impact our operations and the operations of our portfolio companies.

There may be evidence of global climate change. Climate change creates physical and financial risk, and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use owing to weather changes may affect some of our portfolio companies' financial condition through decreased revenues. Extreme weather conditions in general may disrupt our operations and the operations of our portfolio companies and require more system backups and redundancies, adding to costs, and can contribute to increased system stresses, including service interruptions.

Risks related to our Company and an investment in our securities.

Our business may be adversely affected by the small size of our market capitalization.

Changes in regulations of the financial industry have adversely affected coverage of small capitalization companies such as ours by financial analysts. A number of analysts that have covered us in the past are no longer able to continue to do so owing to changes in employment, to restrictions on the size of companies they are allowed to cover and/or their firms have shut down operations. An inability to attract analyst coverage may adversely affect the liquidity of our stock and our ability to raise capital from investors, particularly institutional investors. Our inability to access the capital markets on favorable terms, or at all, may adversely affect our future financial performance. The inability to obtain adequate financing could force us to seek debt financing, self-fund strategic initiatives or even forgo certain opportunities, which in turn could potentially harm our current and future performance.

Because there is generally no established market in which to value our investments, our Valuation Committee's value determinations may differ materially from the values that a ready market or third party would attribute to these investments.

There is generally no public market for the private equity securities in which we invest. Pursuant to the requirements of the 1940 Act, we value all of the privately held equity and debt securities in our portfolio at fair value as determined in good faith by the Valuation Committee, a committee made up of all of the independent members of our Board of Directors, pursuant to Valuation Procedures established by the Board of Directors. Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment pursuant to specified valuation principles and processes. We are required by the 1940 Act to value specifically each individual investment on a quarterly basis and record unrealized depreciation for an investment that we believe has become impaired. Conversely, we must record unrealized appreciation if we believe that a security has appreciated in value. Our valuations, although stated as a precise number, are necessarily within a range of values that vary depending on the significance attributed to the various factors being considered.

We currently use the Black-Scholes-Merton option-pricing model to determine the fair value of warrants held in our portfolio. Option pricing models, including the Black-Scholes-Merton model, require the use of subjective input assumptions, including expected volatility, expected life, expected dividend rate, and expected risk-free rate of return. In the Black-Scholes-Merton model, variations in the expected volatility or expected term assumptions have a significant impact on fair value. Because the securities underlying the warrants in our portfolio are not publicly traded, many of the required input assumptions are more difficult to estimate than they would be if a public market for the underlying securities existed.

Without a readily ascertainable market value and because of the inherent uncertainty of valuation, the fair value that we assign to our investments may differ from the values that would have been used had an efficient market existed for the investments, and the difference could be material. Any changes in fair value are recorded in our Consolidated Statement of Operations as a change in the "Net (decrease) increase in unrealized appreciation on investments."

In the venture capital industry, even when a portfolio of early-stage, high-technology venture capital investments proves to be profitable over the portfolio's lifetime, it is common for the portfolio's value to undergo a so-called "J-curve" valuation pattern. This means that when reflected on a graph, the portfolio’s valuation would appear in the shape of the letter "J," declining from the initial valuation prior to increasing in valuation. This J-curve valuation pattern results from write-downs and write-offs of portfolio investments that appear to be unsuccessful, prior to write-ups for portfolio investments that prove to be successful. Because early-stage small businesses typically have negative cash flow and are by their nature inherently fragile, a valuation process can more readily substantiate a loss of value than an increase in value. Even if our venture capital investments prove to be profitable in the long run, such J-curve valuation patterns could have a significant adverse effect on our net asset value per share and the value of our common stock in the interim. Over time, as we continue to make additional investments, this J-curve pattern may be less relevant for our portfolio as a whole, because the individual J-curves for each investment, or series of investments, may overlap with previous investments at different stages of their J-curves.

We expect to continue to experience material write-downs of securities of portfolio companies.

Write-downs of securities of our privately held companies have always been a by-product and risk of our business. We expect to continue to experience material write-downs of securities of privately held portfolio companies. Write-downs of such companies occur at all stages of their development. Such write-downs may increase in dollar terms, frequency and as a percentage of our net asset value as our dollar investment activity in privately held companies continues to increase, and the number of such holdings in our portfolio continues to grow. As the average size of each of our investments increases, the average size of our write-downs may also increase.

Unfavorable regulatory changes could impair our ability to engage in liquidity events and dampen our returns.

We rely on the ability to generate realized returns on our investments through liquidity events such as IPOs and M&A transactions.

When companies in which we have invested as private entities complete IPOs of their securities, these newly issued securities are by definition unseasoned issues. Unseasoned issues tend to be highly volatile and have uncertain liquidity, which may negatively affect their price. In addition, we are typically subject to lock-up provisions that prohibit us from selling our investments into the public market for specified periods of time after IPOs. The market price of securities that we hold may decline substantially before we are able to sell these securities. Government reforms that affect the trading of securities in the United States have made market-making activities by broker-dealers less profitable, which has caused broker-dealers to reduce their market-making activities, thereby making the market for unseasoned stocks less liquid than they might be otherwise.

In addition, the structural changes in the public markets that currently value near-term cash flows and predictable revenues versus long-term prospects for growth, and the regulatory burden imposed on publicly traded companies by governments worldwide, have reduced the appetite for some of our portfolio companies to pursue IPOs or other steps that would increase the liquidity of our ownership in these portfolio companies. This trend may lengthen the time that our portfolio companies remain as privately held entities in our portfolio, and our returns on these investments may be dampened by the need or choice to seek monetization of such illiquid assets.

An inability to generate realized returns on our investments could negatively affect our liquidity, our reinvestment rate in new and follow-on investments and the value of our investment portfolio.

We are subject to risks associated with our strategy of increasing assets under management by raising third-party funds to manage.

We have announced our strategy to grow assets under management by raising one or more third-party funds to manage. It is possible that we will invest our capital alongside or through these funds in portfolio companies. There is no assurance when and if we will be able to raise such fund(s) or, if raised, whether they will be successful.

Our executive officers and employees, in their capacity as the investment advisor of a fund, may manage other investment funds in the same or a related line of business as we do. Accordingly, they may have obligations to such other entities, the fulfillment of which obligations may not be in the best interests of us or our shareholders.

Our shares of common stock are trading at a discount from net asset value and may continue do so in the future.

Shares of closed-end investment companies have frequently traded at a market price that is less than the net asset value that is attributable to those shares. In part as a result of adverse economic conditions and increasing pressure within the financial sector of which we are a part, our common stock traded below our net asset value per share during some periods in 2010 and consistently throughout 2011 through 2013. Our common stock may continue to trade at a discount to net asset value in the future. The possibility that our shares of common stock may trade at a discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at, or below our net asset value. On December 31, 2013, our stock closed at $2.98 per share, a discount of $0.95, or 24.2 percent, to our net asset value per share of $3.93 as of December 31, 2013. On March 13, 2014, our stock closed at $3.76 per share, a discount of $0.17, or 4.3 percent, to our net asset value per share as of December 31, 2013.

Because we do not choose investments based on a strategy of diversification, nor do we rebalance the portfolio should one or more investments increase in value substantially relative to the rest of the portfolio, the value of our portfolio is subject to greater volatility than the value of companies with more broadly diversified investments.

We do not choose investments based on a strategy of diversification. We also do not rebalance the portfolio should one of our portfolio companies increase in value substantially relative to the rest of the portfolio. Therefore, the value of our portfolio may be more vulnerable to events affecting a single sector or industry and, therefore, subject to greater volatility than a company that follows a diversification strategy. Accordingly, an investment in our common stock may present greater risk to you than an investment in a diversified company.

We are dependent upon key management personnel for future success, and may not be able to retain them.

None of our employees are subject to employment agreements. Our ability to attract and retain personnel with the requisite credentials, experience and skills will depend on several factors including, but not limited to, our ability to offer competitive wages, benefits and professional growth opportunities. Many of the entities with which we will compete for experienced personnel, including investment funds (such as venture capital funds) and traditional financial services companies, will have greater resources than us.

We are dependent upon the diligence and skill of our senior management and other key advisors for the selection, structuring, closing and monitoring of our investments. We utilize lawyers, and we utilize outside consultants to assist us in conducting due diligence when evaluating potential investments. There is generally no publicly available information about the companies in which we invest, and we rely significantly on the diligence of our employees and advisors to obtain information in connection with our investment decisions. Our future success, to a significant extent, depends on the continued service and coordination of our senior management team. The departure of any of our senior management or key advisors could materially adversely affect our ability to implement our business strategy. We do not maintain for our benefit any key-man life insurance on any of our officers or employees.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in order to: (1) increase or maintain in whole or in part our ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (3) attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments or lack sufficient funds to make such investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make a follow-on investment may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation, or may cause us to lose some or all preferred rights pursuant to "pay-to-play" provisions that have become common in venture capital transactions. These provisions require proportionate investment in subsequent rounds of financing in order to preserve preferred rights such as anti-dilution protection, liquidation preferences and preemptive rights to invest in future rounds of financing. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status.

Bank borrowing or the issuance of debt securities or preferred stock by us, to fund investments in portfolio companies or to fund our operating expenses, would make our total return to common shareholders more volatile.

Use of debt or preferred stock as a source of capital entails two primary risks. The first is the risk of leverage, which is the use of debt to increase the pool of capital available for investment purposes. The use of debt leverages our available common equity capital, magnifying the impact on net asset value of changes in the value of our investment portfolio. For example, a BDC that uses 33 percent leverage (that is, $50 of leverage per $100 of common equity) will show a 1.5 percent increase or decline in net asset value for each one percent increase or decline in the value of its total assets. The second risk is that the cost of debt or preferred stock financing may exceed the return on the assets the proceeds are used to acquire, thereby diminishing rather than enhancing the return to common shareholders. If we issue preferred shares or debt, the common shareholders would bear the cost of this leverage. To the extent that we utilize debt or preferred stock financing for any purpose, these two risks would likely make our total return to common shareholders more volatile. In addition, we might be required to sell investments, in order to meet dividend, interest or principal payments, when it might be disadvantageous for us to do so.

As provided in the 1940 Act and subject to some exceptions, we can issue debt or preferred stock so long as our total assets immediately after the issuance, less some ordinary course liabilities, exceed 200 percent of the sum of the debt and any preferred stock outstanding. The debt or preferred stock may be convertible in accordance with SEC guidelines, which might permit us to obtain leverage at more attractive rates. The requirement under the 1940 Act to

pay, in full, dividends on preferred shares or interest on debt before any dividends may be paid on our common stock means that dividends on our common stock from earnings may be reduced or eliminated. An inability to pay dividends on our common stock could conceivably result in our ceasing to qualify as a RIC under the Code, which would, in most circumstances, be materially adverse to the holders of our common stock.

As of December 31, 2013, we had no debt outstanding pursuant to the Loan Facility, and we did not have any preferred stock outstanding.

If we are unable to comply with the covenants or restrictions of the Loan Facility, our business could be materially adversely affected.

The Loan Facility contains certain affirmative and negative covenants, including without limitation: (a) maintenance of certain minimum liquidity requirements; (b) maintenance of an eligible asset leverage ratio of not less than 4.0:1.0; (c) limitations on liens; (d) limitations on the incurrence of additional indebtedness; and (e) limitations on structural changes, mergers and disposition of assets (other than in the normal course of our business activities). Complying with these restrictions may prevent the Company from taking actions that we believe would help it to grow its business or are otherwise consistent with its investment objective. These restrictions could also limit the Company's ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. For example, these restrictions, as currently in effect, would prohibit the Company from, or subject it to limitations on, incurring any additional indebtedness, which would include issuing any debt securities and buying back shares of the Company’s stock.

The breach of any of the covenants or restrictions, unless cured within the applicable grace period, would result in a default under the Loan Facility that would permit the lenders thereunder to declare all amounts outstanding to be due and payable. Because the Loan Facility is secured by all the assets of the Company, in such an event, the Company may be forced to sell assets to repay such indebtedness. As a result, any default could cause the Company to sell portfolio company securities at a time that may not be advantageous and could have serious consequences to our financial condition. The Company may not be granted waivers or amendments to the Loan Facility if, for any reason, it is unable to comply with it, and the Company may not be able to refinance the Loan Facility on terms acceptable to it, or at all.

We may expose ourselves to risks if we engage in hedging transactions.

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in market conditions, currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to

establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

We are authorized to issue preferred stock, which would convey special rights and privileges to its owners senior to those of common stock shareholders.

We are currently authorized to issue up to 2,000,000 shares of preferred stock, under terms and conditions determined by our Board of Directors. These shares would have a preference over our common stock with respect to dividends and liquidation. The statutory class voting rights of any preferred shares we would issue could make it more difficult for us to take some actions that might, in the future, be proposed by the Board and/or holders of common stock, such as a merger, exchange of securities, liquidation or alteration of the rights of a class of our securities, if these actions were perceived by the holders of the preferred shares as not in their best interests. The issuance of preferred shares convertible into shares of common stock might also reduce the net income and net asset value per share of our common stock upon conversion.

Loss of status as a RIC could reduce our net asset value and distributable income.

We have elected to qualify, have qualified and currently intend to continue to qualify as a RIC under the Code. As a RIC, we do not have to pay federal income taxes on our income (including realized gains) that is distributed to our shareholders. Accordingly, we are not permitted under accounting rules to establish reserves for taxes on our unrealized capital gains. If we failed to qualify for RIC status in 2013 or beyond, we would be taxed in the same manner as an ordinary corporation and distributions to our shareholders would not be deductible in computing our taxable income, which could materially adversely impact the amount of cash available for distribution to our shareholders. In addition, to the extent that we had unrealized appreciation, we would have to establish reserves for taxes, which would reduce our net asset value, accordingly. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our earnings and profits attributable to non-RIC years, reduced by an interest charge on 50 percent of such earnings and profits, which charge would be payable by us to the IRS. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain in our assets (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had sold our assets to an unrelated party for fair market value) or, alternatively, be subject to taxation on such built-in gain recognized for a period of 10 years.

We may elect not to be treated as a RIC if we are not able to qualify as a RIC in any given year.

In order to qualify for the special treatment accorded to RICs, we must meet certain income source, asset diversification and annual distribution requirements. Recent changes in our business, including our strategy of taking larger positions in our portfolio companies and increased holding periods to exit through IPOs or M&A transactions, have created more risk specifically relating to the asset diversification requirements of maintaining our special tax status. To qualify as a RIC, we must meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet these tests in any year may result in the loss of RIC status. Because our ownership percentages in our portfolio have grown over the last several years, we have at least three companies with significant valuations that are not qualifying assets for the purpose of the RIC test. As long as the aggregate values of our non-qualifying assets remain below 50 percent of total assets, we will continue to qualify as a RIC. It becomes more difficult to pass this test when companies in our portfolio are successful and we want to invest more capital in those companies to increase our investment returns. Rather than selling portfolio companies that are performing well in order to pass our RIC diversification tests, we may opt instead to not qualify as a RIC. If we fail to qualify for special tax treatment accorded to RICs for failure of our RIC diversification tests, or for any other reason, we will be subject to corporate-level income tax on our income.

A deemed dividend election would affect the value of our stock.

If we, as a RIC, decide to make a deemed distribution of realized net capital gains and retain the net realized capital gains for any taxable year, also referred to as a deemed dividend, we would have to establish appropriate reserves for taxes that we would have to pay on behalf of shareholders. It is possible that establishing reserves for taxes could have a material adverse effect on the value of our common stock. Additionally, if we decide to make a deemed distribution and changes in tax law occur that would increase the dividend tax rates for individuals and corporations, the net benefit to shareholders from a deemed distribution could be adversely affected. Such changes, therefore, could reduce the overall benefit to our shareholders from our status as a RIC.

We operate in a heavily regulated environment, and changes to, or non-compliance with, regulations and laws could harm our business.

We are subject to substantive SEC regulations as a BDC. Securities and tax laws and regulations governing our activities may change in ways adverse to our and our shareholders' interests, and interpretations of these laws and regulations may change with unpredictable consequences. Any change in the laws or regulations that govern our business could have an adverse impact on us or on our operations. Changing laws, regulations and standards relating to corporate governance, valuation, public disclosure and market regulation, including the Sarbanes-Oxley Act of 2002 and the Dodd Frank Act, new SEC regulations, new federal accounting standards and Nasdaq Stock Market rules, create additional expense and uncertainty for publicly traded companies in general, and for BDCs in particular. These new or changed laws, regulations and standards are subject to varying interpretations in many cases because of

their lack of specificity, and as a result, their application in practice may evolve over time, which may well result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have and will continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies, our reputation may be harmed. This increased regulatory burden is causing us to incur significant additional expenses and is time consuming for our management, which could have a material adverse effect on our financial performance.

Market prices of our common stock will continue to be volatile.

We expect that the market price of our common stock price will continue to be volatile. The price of the common stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include the following:

- stock market and capital markets conditions;
- internal developments in our Company with respect to our personnel, financial condition and compliance with all applicable regulations;
- announcements regarding any of our portfolio companies;
- announcements regarding developments in the nanotechnology, energy, electronics or healthcare-related fields in general;
- environmental and health concerns regarding nanotechnology, whether real or perceptual;
- announcements regarding government funding and initiatives related to the development of nanotechnology, energy, electronics or healthcare-related products;
- a mismatch between the long-term nature of our business and the short-term focus of many investors;
- significant volatility in the market price and trading volume of securities of RICs, BDCs or other financial services companies;
- changes in regulatory policies or tax guidelines with respect to RICs or BDCs; general economic conditions and trends; and/or
- departures of key personnel.

We will not have control over many of these factors, but expect that our stock price may be influenced by them. As a result, our stock price may be volatile, and you may lose all or part of your investment. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been brought

against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

Quarterly results fluctuate and are not indicative of future quarterly performance.

Our quarterly operating results fluctuate as a result of a number of factors. These factors include, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we and our portfolio companies encounter competition in our markets and general economic and capital markets conditions. As a result of these factors, results for any one quarter should not be relied upon as being indicative of performance in future quarters.

Investment in foreign securities could result in additional risks.

We may invest in foreign securities, and we currently have one investment in a foreign security. When we invest in securities of foreign issuers, we may be subject to risks not usually associated with owning securities of U.S. issuers. These risks can include fluctuations in foreign currencies, foreign currency exchange controls, social, political and economic instability, differences in securities regulation and trading, expropriation or nationalization of assets and foreign taxation issues. In addition, changes in government administrations or economic or monetary policies in the United States or abroad could result in appreciation or depreciation of our securities and could favorably or unfavorably affect our operations. It may also be more difficult to obtain and enforce a judgment against a foreign issuer. Any foreign investments made by us must be made in compliance with U.S. and foreign currency restrictions and tax laws restricting the amounts and types of foreign investments.

Although most of our investments are denominated in U.S. dollars, our investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency may change in relation to the U.S. dollar, in which currency we maintain financial statements and valuations. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Investing in our stock is highly speculative and an investor could lose some or all of the amount invested.

Our investment objective and strategies result in a high degree of risk in our investments and may result in losses in the value of our investment portfolio. Our investments in small businesses are highly speculative and, therefore, an investor in our common stock may lose his or her entire investment. The value of our common stock may decline and may be affected by numerous market conditions, which could result in the loss of some or all of the amount invested in our common stock. The securities markets frequently experience extreme price and volume fluctuations that affect market prices for securities of companies in general, and technology and very small capitalization companies in particular. Because of our focus on the technology and very small capitalization sectors, and because we are a very small capitalization company ourselves, our stock price is especially likely to be affected by these market conditions.

General economic conditions, and general conditions in nanotechnology and in the semiconductor and information technology, life sciences, materials science and other high-technology industries, including energy, may also affect the price of our common stock.

Our strategy of writing covered calls and buying put options on public portfolio company securities held by us could result in us receiving a lower return for such investments than if we had not employed such strategy.

There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of a covered call option, the Company forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

As the buyer of a put option, we may incur losses if the price per share of the underlying stock to that option is above the strike price of the put option at the time of expiration, which would result in our put option expiring without value. Such expiration would reduce our overall returns on our investment in those publicly traded securities once they are sold.

The Board of Directors intends to grant restricted stock pursuant to the Company's Equity Incentive Plan. These equity awards may have a dilutive effect on existing shareholders.

In accordance with the Company's Equity Incentive Plan, the Company's Board of Directors plans to grant equity awards in the form of restricted stock from time to time for up to 10 percent of the total shares of stock issued and outstanding. Issuance of shares of restricted stock results in existing shareholders owning a smaller percentage of the shares outstanding.

You have no right to require us to repurchase your shares.

You do not have the right to require us to repurchase your shares of common stock.

Future sales of our common stock in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in offerings, such as follow-on public offerings, registered direct or PIPE transactions, or rights offerings, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company maintains its offices at 1450 Broadway, New York, New York 10018, where it leases approximately 6,900 square feet of office space pursuant to a lease agreement expiring on December 31, 2019. (See "Note 11. Commitments and Contingencies" contained in "Item 8. Consolidated Financial Statements and Supplementary Data.")

We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

Item 3. Legal Proceedings.

The Company is not currently a party to any legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

Our common stock is traded on the Nasdaq Global Market under the symbol "TINY." The following table sets forth the range of the high and low sales price of the Company's shares during each quarter of the last two fiscal years and the closing share price as a percentage of net asset value, as reported by Nasdaq Global Market. The quarterly stock prices quoted represent interdealer quotations and do not include markups, markdowns or commissions.

	Market Price		Net Asset Value ("NAV") Per Share at End of	Premium or (Discount) as a % of NAV	
Quarter Ended	High	Low	Period	High	Low
March 31, 2013	$3.94	$3.35	$ 4.11	(4.1)%	(18.5)%
June 30, 2013	$3.70	$3.01	$ 4.24	(12.7)%	(29.0)%
September 30, 2013	$3.23	$2.95	$ 4.18	(22.7)%	(29.4)%
December 31, 2013	$3.26	$2.95	$ 3.93	(17.0)%	(24.9)%
March 31, 2012	$4.70	$3.44	$ 4.89	(3.9)%	(29.7)%
June 30, 2012	$4.47	$2.98	$ 4.88	(8.4)%	(38.9)%
September 30, 2012	$4.25	$3.53	$ 4.78	(11.1)%	(26.2)%
December 31, 2012	$3.97	$3.05	$ 4.13	(3.9)%	(26.2)%

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at premiums that are unsustainable over the long term or at a discount from net asset value is separate and distinct from the risk that our net asset value will decrease. Historically, our shares of common stock have traded at times at a discount and at other times at a premium to net asset value. For the last two years, our stock has generally traded at a discount to net asset value. The last reported price for our common stock on December 31, 2013, was $2.98 per share, which was a 24.2 percent discount to our net asset value of $3.93 as of December 31, 2013.

Shareholders

As of March 12, 2014, there were approximately 124 holders of record and approximately 14,515 beneficial owners of the Company's common stock.

Dividends

We did not pay a cash dividend or declare a deemed dividend for 2013 or 2012. For more information about deemed dividends, please refer to the discussion under "Tax Status."

% of sales

34 35 35 35 37

Long-lived asset impairments

1,811

Operating profit

367,105 323,849 335,480 315,543 234,833

% of sales

22 21 24 26 23

Net income

246,773 221,817 224,829 222,364 168,048

% of sales

14 14 16 18 16

Financial Data[(a)]

Working capital

$301,815 $365,269 $242,939 $294,796 $259,117

Net property, plant and equipment and other non-current assets

1,607,447 1,451,113 1,242,892 827,493 535,323

Total capital[(b)]

1,662,283 1,498,082 1,261,962 853,071 567,323

Total assets

2,280,130 2,053,179 1,829,515 1,304,450 986,354

Long-term liabilities

1,004,465 928,519 816,061 550,966 289,368

Shareholders equity

904,797 887,863 669,770 571,323 505,072

Return on average total capital [c] %

17 18 23 35 32

Return on average shareholders equity [d] %

27 29 38 39 40

Per-Share Data [a][e]

Average number of common shares

63,656 64,214 64,407 67,616 67,610

Average number of common shares and common share equivalents

64,281 64,908 65,103 68,425 68,442

Basic earnings per share

$3.88 $3.45 $3.49 $3.29 $2.49

Diluted earnings per share

3.84 3.42 3.45 3.25 2.46

Dividends per common share

0.76 0.63 0.525 0.44 0.39

Book value per common share

14.49 13.83 10.42 8.71 7.44

(a) See accompanying Notes to Consolidated Financial Statements.

(b) Notes payable, plus current portion of long-term debt, plus long-term debt, minus cash and marketable securities, plus shareholders equity.

(c) Net income plus after-tax interest expense on borrowings as a percentage of the average of quarterly borrowings (net of cash) plus shareholders equity over five accounting periods.

(d) Net income as a percentage of average quarterly shareholders equity over five accounting periods.

(e) Amounts adjusted for 2-for-1 stock split effective April 12, 2011.

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

NOTE REGARDING AMOUNTS AND FISCAL YEAR REFERENCES

In this annual report, all amounts related to United States dollars and foreign currency and to the number of Nordson Corporation s common shares, except for per share earnings and dividend amounts, are expressed in thousands. Unless the context otherwise indicates, all references to we or the Company mean Nordson Corporation.

Unless otherwise noted, all references to years relate to our fiscal year ending October 31.

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate the accounting policies and estimates that are used to prepare financial statements. We base our estimates on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates used by management.

Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed below. On a regular basis, critical accounting policies are reviewed with the Audit Committee of the board of directors.

Revenue Recognition Most of our revenues are recognized upon shipment, provided that persuasive evidence of an arrangement exists, the sales price is fixed or determinable, collectibility is reasonably assured, and title and risk of loss have passed to the customer. The FASB has issued guidance on multiple deliverable arrangements that establishes a relative selling price hierarchy for determining the selling price of a deliverable based on vendor specific objective evidence (VSOE) if available, third-party evidence (TPE) if vendor-specific objective evidence is not available, or best estimated selling price (BESP) if neither vendor-specific objective evidence nor third-party evidence is available. Our multiple deliverable arrangements include installation, installation supervision, training, and spare parts, which tend to be completed in a short period of time, at an insignificant cost, and utilizing skills not unique to us, and, therefore, are typically regarded as inconsequential or perfunctory. Revenue for undelivered items is deferred and included within accrued liabilities in the accompanying balance sheet. Revenues deferred in 2014, 2013 and 2012 were not material.

Translation of Foreign Currency Financial Statements and Foreign Currency Transactions Our reporting currency is the U.S. dollar. However, the functional currency for each of our foreign subsidiaries is its principal operating currency. We translate the amounts included in our Consolidated Statements of Income from our foreign subsidiaries into U.S. dollars at weighted-average exchange rates, which we believe are representative of the actual exchange rates on the dates of the transactions. Our foreign subsidiaries assets and liabilities are translated into U.S. dollars from local currency at the actual exchange rates as of the end of each reporting date, and we record the resulting foreign exchange translation adjustments in our Consolidated Balance Sheets as a component of accumulated other comprehensive income (loss). If the U.S. dollar strengthens, we reflect the resulting losses as a component of accumulated other comprehensive income (loss). Conversely, if the U.S. dollar weakens, foreign exchange translation gains result, which favorably impact accumulated other comprehensive income (loss). Translation adjustments may be included in net earnings in the event of a sale or liquidation of certain of our underlying foreign investments. If we determine that the functional currency of any of our foreign subsidiaries should be the U.S. dollar, our financial statements will be affected. Should this occur, we will adjust our reporting to appropriately account for any such changes.

As appropriate, we use permanently invested intercompany loans as a source of capital to reduce exposure to foreign currency fluctuations at our foreign subsidiaries. These loans, on a consolidated basis, are treated as being analogous to equity for accounting purposes. Therefore, foreign exchange gains or losses on these intercompany loans are recorded in accumulated other comprehensive income (loss).

Goodwill Goodwill is the excess of purchase price over the fair value of tangible and identifiable intangible net assets acquired in various business combinations. Goodwill is not amortized but is tested for impairment annually at the reporting unit level, or more often if indications of impairment exist. Our reporting units are the Adhesive Dispensing Systems segment, the Industrial Coating Systems segment and one level below the Advanced Technology Systems segment.

We test goodwill in accordance with Accounting Standards Codification (ASC) 350. The goodwill impairment test is a two-step process. In the first step, performed in the fourth quarter of each year, we estimate a reporting unit s fair value using a combination of the discounted cash flow method of the Income Approach and the guideline public company method of the Market Approach and compare the result against the reporting unit s carrying value of net assets. If the carrying value of a reporting unit exceeds its fair value, then a second step is performed to determine if goodwill is impaired. We use an independent valuation specialist to assist with refining our assumptions and methods used to determine fair values using these methods. In step one, the discounted cash flow method uses assumptions for revenue growth, operating margin, and working capital turnover that are based on general management s strategic plans tempered by performance trends and reasonable expectations about those trends. Terminal value calculations employ a published formula known as the Gordon Growth Model Method that essentially captures the present value of perpetual cash flows beyond the last projected period assuming a constant Weighted Average Cost of Capital (WACC) methodology and growth rate. For each reporting unit, a sensitivity analysis is performed to vary the discount and terminal growth rates in order to provide a range of reasonableness for detecting impairment.

Discount rates are developed using a WACC methodology. The WACC represents the blended average required rate of return for equity and debt capital based on observed market return data and company specific risk factors. For 2014, the discount rates used ranged from 10 percent to 17 percent depending upon the reporting unit s size, end market volatility, and projection risk. The calculated internal rate of return for the discounted cash flow method was 11 percent, the same as the calculated WACC for total Nordson. In the application of the guideline public company method, fair value is determined using transactional evidence for similar publicly traded equity. The comparable company guideline group is determined based on relative similarities to each reporting unit since exact correlations are not available. An indication of fair value for each reporting unit is based on the placement of each reporting unit within a range of multiples determined for its comparable guideline company group. Valuation multiples are derived by dividing latest twelve month performance for revenues and EBITDA into total invested capital, which is the sum of traded equity plus interest bearing debt less cash. These multiples are applied against the revenue and EBITDA of each reporting unit. While the implied indications of fair value using the guideline public company method yield meaningful results, the discounted cash flow method of the income approach includes management s thoughtful projections and insights as to what the reporting units will accomplish in the near future. Accordingly, the reasonable, implied fair value of each reporting unit is a blend based on the relative strength of the approaches employed.

To test the reasonableness of the aggregate fair value, we performed the control premium test, which compares the sum of the implied fair values calculated for our reporting units (net of debt) to the market value of equity. The control premium was 7 percent as of the test date of August 1, 2014 and 5 percent as of October 31, 2014. The control premium indicated that the discounted cash flow valuation was reasonable.

In 2014 and 2013, the results of our step one testing indicated no impairment; therefore, the second step of impairment testing was not necessary.

The excess of fair value (FV) over carrying value (CV) was compared to the carrying value for each reporting unit. Based on the results shown in the table below and based on our measurement date of August 1, 2014, our conclusion is that no indicators of impairment exist in 2014. Potential events or circumstances, such as a sustained downturn in global economies, could have a negative effect on estimated fair values.

		WACC	Excess of FV over CV	Goodwill
Adhesive Dispensing Systems Segment		10%	365%	$ 405,328
Industrial Coating Systems Segment		16%	136%	$ 24,058
Advanced Technology Systems Segment	Electronics Systems	13%	562%	$ 15,138
Advanced Technology Systems Segment	Fluid Management	12%	113%	$ 478,218
Advanced Technology Systems Segment	Test & Inspection	17%	157%	$ 14,397

The table above does not include two acquisitions that occurred after the August 1 measurement date but before our fiscal year-end. We acquired Avalon Laboratories Holding Corp. (Avalon) on August 8, 2014 and Dima Group B.V. (Dima) on August 29, 2014. Determination of the preliminary goodwill associated with these acquisitions was completed with the assistance of an independent valuation specialist in October 2014. Since the dates of the valuations, no events or changes in circumstances have occurred that would more likely than not reduce the fair value of these acquisitions below their carrying values. For future valuation purposes, Avalon will be included in the Advanced Technology Systems Fluid Management reporting unit, and Dima will be included in the Advanced Technology Systems Electronics Systems reporting unit.

Other Long-Lived Assets We test other depreciable and amortizable long-lived assets for recoverability in accordance with ASC 360 using undiscounted cash flows. The total carrying value of long-lived assets for each reporting unit has been compared to the forecasted cash flows of each reporting unit s long-lived assets being tested. Cash flows have been defined as earnings before interest, taxes, depreciation, and amortization, less annual maintenance capital spending.

Estimates of future cash flows used to test the recoverability of a long-lived asset (asset group) are based on the remaining useful life of the asset. We believe that the relative value of long-lived assets within each reporting unit is a reasonable proxy for the relative importance of the assets in the production of cash flow. To get to a reasonable forecast period, the aggregate net book value of long-lived assets was divided by the current depreciation and amortization value to arrive at a blended remaining useful life. Our calculations for 2014 showed the undiscounted aggregate value of cash flows over the remaining useful life for each reporting unit was greater than the respective carrying value of the long-lived assets within each reporting unit, so no impairment charges were recognized.

Inventories Inventories are valued at the lower of cost or market. Cost was determined using the last-in, first-out (LIFO) method for 21 percent of consolidated inventories at October 31, 2014 and October 31, 2013, with the first-in, first-out (FIFO) method used for the remaining inventory. On an ongoing basis, inventory is tested for technical obsolescence, as well as for future demand and changes in market conditions. We have historically maintained inventory reserves to reflect those conditions when the cost of inventory is not expected to be recovered. Reserves are also maintained for inventory used for demonstration purposes. The inventory reserve balance was $26,744, $26,579 and $20,505 at October 31, 2014, 2013 and 2012, respectively.

Pension Plans and Postretirement Medical Plans The measurement of liabilities related to our pension plans and postretirement medical plans is based on management s assumptions related to future factors, including interest rates, return on pension plan assets, compensation increases, mortality and turnover assumptions, and health care cost trend rates.

The weighted-average discount rate used to determine the present value of our domestic pension plan obligations was 4.29 percent at October 31, 2014 and 4.75 percent at October 31, 2013. The weighted-average discount rate used to determine the present value of our various international pension plan obligations was 2.94 percent at October 31, 2014, compared to 3.72 percent at October 31, 2013. The discount rates used for all plans were determined by using quality fixed income investments with a duration period approximately equal to the period over which pension obligations are expected to be settled.

In determining the expected return on plan assets, we consider both historical performance and an estimate of future long-term rates of return on assets similar to those in our plans. We consult with and consider the opinions of financial and actuarial experts in developing appropriate return assumptions. The expected rate of return (long-term investment rate) on domestic pension assets used to determine net benefit costs was 7.24 percent in 2014 and 2013. The average expected rate of return on international pension assets used to determine net benefit costs was 4.60 percent in 2014 and 4.43 percent in 2013.

The assumed rate of compensation increases used to determine the present value of our domestic pension plan obligations was 3.49 percent at October 31, 2014, compared to 3.30 percent at October 31, 2013. The assumed rate of compensation increases used to determine the present value of our international pension plan obligations was 3.19 percent at October 31, 2014, compared to 3.18 percent at October 31, 2013.

The measurement of domestic pension and other post employment benefit (OPEB) plans projected benefit obligations included the effects of adopting the Society of Actuaries release of final RP2014 / MP2014 mortality tables. The adoption of these new tables resulted in an increase to our domestic pension and OPEB plans projected benefit obligations of $28,554 and $4,878, respectively.

Annual expense amounts are determined based on the discount rate used at the end of the prior year. Differences between actual and assumed investment returns on pension plan assets result in actuarial gains or losses that are amortized into expense over a period of years.

With respect to the domestic postretirement medical plan, the discount rate used to value the benefit plan was 4.40 percent at October 31, 2014 and 4.80 percent at October 31, 2013. The annual rate of increase in the per capita cost of covered benefits (the health care cost trend rate) is assumed to be 3.93 percent in 2015, decreasing gradually to 3.41 percent in 2024.

For the international postretirement plan, the discount rate used to value the benefit obligation was 4.25 percent at October 31, 2014 and 4.95 percent at October 31, 2013. The annual rate of increase in the per capita cost of covered benefits (the health care cost trend rate) is assumed to be 6.48 percent in 2015, decreasing gradually to 3.50 percent in 2031.

Employees hired after January 1, 2002, are not eligible to participate in the domestic postretirement medical plan.

Pension and postretirement expenses in 2015 are expected to be approximately $4,000 higher than 2014, primarily due to changes in discount rates and the new mortality tables used for domestic plans.

Income Taxes Income taxes are estimated based on income for financial reporting purposes. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and certain changes in valuation allowances. We provide valuation allowances against deferred tax assets if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Management believes the valuation allowances are adequate after considering future taxable income, allowable carryforward periods and ongoing prudent and feasible tax planning strategies. In the event we were to determine that we would be able to realize the deferred tax assets in the future in excess of the net recorded amount (including the valuation allowance), an adjustment to the valuation allowance would increase income in the period such determination was made. Conversely, should we determine that we would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the valuation allowance would be expensed in the period such determination was made.

Further, at each interim reporting period, we estimate an effective income tax rate that is expected to be applicable for the full year. Significant judgment is involved regarding the application of global income tax laws and regulations and when projecting the jurisdictional mix of income. Additionally, interpretation of tax laws, court decisions or other guidance provided by taxing authorities influences our estimate of the effective income tax rates. As a result, our actual effective income tax rates and related income tax liabilities may differ materially from our estimated effective tax rates and related income tax liabilities. Any resulting differences are recorded in the period they become known.

Financial Instruments Assets, liabilities and commitments that are to be settled in cash and are denominated in foreign currencies are sensitive to changes in currency exchange rates. We enter into foreign currency forward contracts, which are derivative financial instruments, to reduce the risk of foreign currency exposures resulting from the collection of receivables, payables and loans denominated in foreign currencies. The maturities of these contracts are usually less than 90 days. Forward contracts are not designated as hedging instruments and therefore are marked to market each accounting period, and the resulting gains or losses are included in other net within other income (expense) in the Consolidated Statement of Income.

Warranties We provide customers with a product warranty that requires us to repair or replace defective products within a specified period of time (generally one year) from the date of delivery or first use. An accrual is recorded for expected warranty costs for products shipped through the end of each accounting period. In determining the amount of the accrual, we rely primarily on historical warranty claims. Amounts charged to the warranty reserve were $10,813, $7,891 and $5,430 in 2014, 2013 and 2012, respectively. The reserve balance was $9,918, $9,409 and $8,929 at October 31, 2014, 2013 and 2012, respectively.

Performance Share Incentive Awards Executive officers and selected other key employees are eligible to receive share awards with payouts based on corporate performance over three-year periods. Award payouts vary based on the degree to which corporate performance equals or exceeds predetermined threshold, target and maximum performance levels at the end of a performance period. No award payout will occur unless certain threshold performance levels are equaled or exceeded. The amount of compensation expense is based upon current performance projections for each three-year performance period and the percentage of the requisite service that has been rendered. The calculations are also based upon the grant date fair value determined using the closing market price of Nordson Common Stock at the grant date, reduced by the implied value of dividends not to be paid. Awards are recorded as capital in excess of stated value in shareholders equity. The cumulative amount recorded at October 31, 2014 for the plans originating in 2012, 2013 and 2014 was $7,570. Compensation expense attributable to all performance share incentive award periods for executive officers and selected other key employees for 2014, 2013 and 2012 was $4,304, $3,588 and $4,235, respectively.

2014 compared to 2013

Sales Worldwide sales for 2014 were $1,704,021, an increase of 10.4 percent from 2013 sales of $1,542,921. Sales volume increased 10.9 percent, and unfavorable currency effects caused by the stronger U.S. dollar primarily against the Japanese Yen reduced sales by 0.5 percent. The volume increase consisted of 6.2 percent from organic growth and 4.7 percent from acquisitions. Two acquisitions were made during 2014: Avalon Laboratories and Dima Group B.V., both of which are included within the Advanced Technology Systems segment. Three acquisitions were made during 2013: the Kreyenborg Group and certain assets of Kodama Chemical Industry Co., Ltd., both of which were included within the Adhesives Dispensing Systems segment and certain assets of Nellcor Puritan Bennett Mexico, S.A. de C.V., a subsidiary of Covidien LP (Nellcor), which was included within the Advanced Technology Systems segment.

As used throughout this Form 10-K, geographic regions include the Americas (Canada, Mexico and Central and South America), Asia Pacific (excluding Japan), Europe, Japan, and the United States.

Sales of the Adhesive Dispensing Systems segment were $899,696 in 2014, an increase of $106,208, or 13.4 percent, from 2013 sales of $793,488. The increase was the result of a sales volume increase of 14.3 percent offset by unfavorable currency effects that reduced sales by 0.9 percent. The sales volume increase consisted of 8.1 percent from acquisitions and 6.2 percent from organic volume. Sales volume, inclusive of acquisitions, increased in all geographic regions and was particularly strong in the Europe and Asia Pacific regions. Organic growth in all product lines was driven by our disposable hygiene, rigid packaging, polymer processing and general product assembly end markets.

Sales of the Advanced Technology Systems segment were $561,784 in 2014, an increase of $45,518, or 8.8 percent, from 2013 sales of $516,266. The increase was the result of a sales volume increase of 8.4 percent and favorable currency effects that increased sales by 0.4 percent. The sales volume increase consisted of 6.8% from organic volume and 1.6% from the first-year effect of acquisitions. Within the segment, sales volume, inclusive of acquisitions, increased in all geographic regions, except the Americas, and were most pronounced in

Japan and Asia Pacific. Strong organic growth in all product lines was led by demand for our automated dispensing equipment related to electronic mobile device assembly end markets, along with higher demand for our electronic test and inspection equipment, semi-automated dispensing systems and single-use fluid management components related to medical and industrial end markets.

Sales of the Industrial Coating Systems segment were $242,541 in 2014, an increase of $9,374, or 4.0 percent, from 2013 sales of $233,167. The increase was the result of a sales volume increase of 4.7 percent offset by unfavorable currency effects that reduced sales by 0.7 percent. The sales volume increase was entirely due to organic growth. Sales volume increased in the United States and Europe regions. Growth was driven by demand for our cold material dispensing equipment in automotive and industrial end markets, coating equipment for food and beverage end markets and select consumer durable goods end markets, partially offset by softness in UV curing equipment for electronic applications.

Sales outside the United States accounted for 70.4 percent of our sales in 2014, as compared to 69.8 percent in 2013. On a geographic basis, sales in the United States were $503,776, an increase of 8.2 percent from 2013. The increase consisted of 6.1 percent organic volume and 2.1 percent from acquisitions. In the Americas region, sales were $120,993, down 2.2 percent from the prior year, with volume increasing 0.8 percent offset by unfavorable currency effects of 3.0 percent. The increase in sales volume consisted of 0.5 percent from organic volume and 0.3 percent from acquisitions. Sales in Europe were $494,538 in 2014, up 18.7 percent from 2013, with volume increasing 16.8 and favorable currency effects of 1.9 percent. The increase in sales volume consisted of 5.3 percent from organic growth and 11.5 percent from acquisitions. Sales in Japan for 2014 were $127,057, a decrease of 0.7 percent from the prior year. The decrease consisted of volume growth of 7.4 percent offset by unfavorable currency effects of 8.1 percent. The increase in sales volume consisted of 5.5 percent organic volume and 1.9 percent from acquisitions. Sales in the Asia Pacific region were $457,657, up 11.9 percent from the prior year, with volume increasing 12.1 percent, offset by unfavorable currency effects of 0.2 percent. The increase in sales volume consisted of 9.0 percent from organic growth and 3.1 percent from acquisitions.

It is estimated that the effect of pricing on total revenue was neutral relative to 2013.

Operating profit Cost of sales were $758,923 in 2014, up 12.1 percent from 2013. The increase compared to 2013 is primarily due to increased sales volume. Gross profit, expressed as a percentage of sales, decreased to 55.5 percent in 2014 from 56.1 percent in 2013. The reduction in gross margin was primarily a result of product line mix, as well as a higher mix of systems revenue in our legacy business and currency effects.

Selling and administrative expenses, including severance and restructuring costs, were $577,993 in 2014, an increase of $35,698, or 6.6 percent, from 2013. The increase was primarily due to the addition of acquired businesses and higher compensation expenses related to increased employment levels, partially offset by currency effects that reduced expenses.

Selling and administrative expenses as a percentage of sales decreased to 33.9 percent in 2014 from 35.1 percent in 2013, due primarily to the higher level of sales and the favorable effects of continuous improvement activities.

Severance and restructuring costs of $2,551 were recorded during 2014. Within the Adhesives Dispensing Systems segment, certain restructuring programs within our U.S. and European operations resulted in costs of $1,731. Within the Advanced Technology Systems segment, restructuring initiatives in the U.S. resulted in severance costs of $579. Within the Industrial Coatings Systems segment, restructuring activities in China resulted in severance costs of $241.

Operating profit as a percentage of sales was 21.5 percent in 2014 compared to 21.0 percent in 2013. The increase was primarily due to higher sales volume supported by a more efficient cost structure.

Operating capacity for each of our segments can support fluctuations in order activity without significant changes in operating costs. Also, currency translation affects reported operating margins. Operating margins for each segment were unfavorably impacted by a stronger dollar during 2014 as compared to 2013.

Operating profit as a percentage of sales for the Adhesive Dispensing Systems segment decreased to 25.5 percent in 2014 from 25.7 percent in 2013. The slight decline in 2014 was due to the dilution effect of acquired product lines in 2013.

Operating profit as a percentage of sales for the Advanced Technology Systems segment increased to 25.0 percent in 2014 from 23.9 percent in 2013. The increase was due primarily to higher sales volume supported by a more efficient cost structure.

Operating profit as a percentage of sales for the Industrial Coating Systems segment increased to 15.7 percent in 2014 from 14.5 percent in 2013. The increase was due primarily to higher sales volume supported by a more efficient cost structure.

Interest and other income (expense) Interest expense in 2014 was $15,035, an increase of $194, or 1.3 percent, from 2013. The increase was due to higher borrowing levels resulting primarily from acquisitions in the second half of 2013 and 2014.

Other expense in 2014 was $138 compared to other income in 2013 of $1,694. Included in 2014 were a gain on property insurance settlement of $1,005 and foreign currency losses of $478. Included in 2013 were a gain on sale of real estate in China of $2,106 and foreign currency losses of $2,214.

Income taxes Income tax expense in 2014 was $105,740, or 30.0 percent of pre-tax income, as compared to $89,306, or 28.7 percent of pre-tax income in 2013.

The 2013 rate was impacted by a favorable adjustment to unrecognized tax benefits of $900 primarily related to expiration of certain foreign statutes of limitations. On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retroactively reinstated and extended the Federal Research and Development Tax Credit (Federal R&D Tax Credit) from January 1, 2012 to December 31, 2013 and extended certain other tax provisions. As a result, the Company s income tax expense for 2013 includes a discrete tax benefit of $1,700 related to 2012.

Net income Net income was $246,773, or $3.84 per diluted share, in 2014, compared to net income of $221,817, or $3.42 per diluted share in 2013. This represents an 11.3 percent increase in net income and a 12.3 percent increase in diluted earnings per share.

Recently issued accounting standards In July 2013, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. The new guidance is effective prospectively to all existing unrecognized tax benefits, but entities can choose to apply it retrospectively. The guidance will be effective for us in our first quarter of 2015, with early adoption permitted. We do not believe the adoption of this ASU will have a material effect on our consolidated financial statements.

In May 2014, the FASB issued a new standard regarding revenue recognition. Under this standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard implements a five-step process for customer contract revenue recognition that focuses on transfer of control. It will be effective for us beginning in 2018, with early adoption not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact this standard will have on our consolidated financial statements as well as the method by which we will adopt the new standard.

2013 compared to 2012

Sales Worldwide sales for 2013 were $1,542,921, an increase of 9.5 percent from 2012 sales of $1,409,578. Sales volume increased 10.6 percent, and unfavorable currency effects caused by the stronger U.S. dollar primarily against the Japanese Yen reduced sales by 1.1 percent. The volume increase consisted of 10.2 percent from acquisitions and 0.4 percent from organic growth. Three acquisitions were made during 2013: the Kreyenborg Group and certain assets of Kodama Chemical Industry Co., Ltd., which were both included within the Adhesive Dispensing Systems segment, and certain assets of Nellcor Puritan Bennett Mexico, S.A. de C.V., a subsidiary of Covidien LP (Nellcor) which was included within the Advanced Technology Systems segment. Three

acquisitions were made during 2012: EDI Holdings, Inc. (EDI) and Xaloy Superior Holdings, Inc. (Xaloy), which were included within the Adhesive Dispensing Systems segment, and Sealant Equipment & Engineering, Inc. (SEE), which was included within the Industrial Coating Systems segment.

As used throughout this Form 10-K, geographic regions include the Americas (Canada, Mexico and Central and South America), Asia Pacific (excluding Japan), Europe, Japan, and the United States.

Sales of the Adhesive Dispensing Systems segment were $793,488 in 2013, an increase of $109,392, or 16.0 percent, from 2012 sales of $684,096. The increase was the result of a sales volume increase of 17.6 percent offset by unfavorable currency effects that reduced sales by 1.6 percent. The sales volume increase consisted of 18.8 percent from acquisitions offset by a 1.2 percent reduction in organic volume. Sales volume, inclusive of acquisitions, increased in all geographic regions and was particularly strong in the United States and Asia Pacific regions. Growth in our solar applications, paper board packaging and certain durable goods markets was partially offset by softness in our plastics processing markets and disposable hygiene product markets.

Sales of the Advanced Technology Systems segment were $516,266 in 2013, an increase of $274, or 0.1 percent, from 2012 sales of $515,992. The increase was the result of a sales volume increase of 0.3 percent offset by unfavorable currency effects that reduced sales by 0.2 percent. The sales volume increase was solely due to organic growth. Within the segment, volume increases occurred in all geographic regions, except Asia Pacific, and were most pronounced in Japan. Growth in our automotive electronics, display assembly, printed circuit board assembly and medical equipment markets was offset by softness in our semiconductor packaging and industrial assembly end markets.

Sales of the Industrial Coating Systems segment were $233,167 in 2013, an increase of $23,677, or 11.3 percent, from 2012 sales of $209,490. The increase was the result of a sales volume increase of 12.7 percent offset by unfavorable currency effects that reduced sales by 1.4 percent. The sales volume increase consisted of 5.6 percent organic growth and 7.1 percent from an acquisition. Sales volume, inclusive of acquisitions, increased in the United States, Americas, and Japan regions. Growth in some of our consumer and industrial durable goods markets was offset by softness in our large dollar systems supporting automotive OEMs and container coating markets.

Sales outside the United States accounted for 69.8 percent of our sales in 2013, versus 72.4 percent in 2012. On a geographic basis, sales in the United States were $465,789, an increase of 19.8 percent from 2012. The increase consisted of 1.5 percent organic volume and 18.3 percent from acquisitions. In the Americas region, sales were $123,654, up 13.4 percent from the prior year, with volume increasing 14.8 percent offset by unfavorable currency effects of 1.4 percent. The increase in sales volume consisted of 5.8 percent organic volume and 9.0 percent from acquisitions. Sales in Europe were $416,725 in 2013, up 9.4 percent from 2012, with volume increasing 8.1 and favorable currency effects of 1.3 percent. The increase in sales volume consisted primarily of 8.0 percent from acquisitions. Sales in Japan for 2013 were $127,945, an increase of 0.3 percent from the prior year. The increase consisted of volume of 16.1 percent offset by unfavorable currency effects of 15.8 percent. The increase in sales volume consisted of 8.5 percent organic volume and 7.6 percent from acquisitions. Sales in the Asia Pacific region were $408,808, up 1.4 percent from the prior year, with volume increasing 0.9 percent, and favorable currency effects of 0.5 percent. The increase in sales volume consisted of 5.4 percent from acquisitions offset by a decline in organic volume of 4.5 percent.

It is estimated that the effect of pricing on total revenue was neutral relative to 2012.

Operating profit Cost of sales, including those costs classified as restructuring, were $676,777 in 2013, up 15.4 percent from 2012. The increase compared to 2012 is primarily due to increased sales volume. Gross profit, expressed as a percentage of sales, decreased to 56.1 percent in 2013 from 58.4 percent in 2012. The reduction in gross margin was primarily a result of lower product line margins relating to 2013 and 2012 acquisitions, as well as a higher mix of systems revenue in our legacy business and currency effects.

Selling and administrative expenses, including severance and restructuring costs, were $542,295 in 2013, an increase of $54,486, or 11.2 percent, from 2012. The increase was primarily due to the addition of acquired businesses, acquisition transaction costs and higher compensation expenses related to increased employment levels, partially offset by currency effects that reduced expenses.

Selling and administrative expenses as a percentage of sales increased to 35.1 percent in 2013 from 34.6 percent in 2012, due primarily to the acquired businesses and modest organic sales volume growth.

Severance and restructuring costs of $1,126 were recorded during 2013. Within the Adhesives Dispensing Systems segment, a restructuring program to optimize certain European operations resulted in costs of $315. Within the Advanced Technology Systems segment, restructuring initiatives that involved plant and facility consolidations and other programs resulted in severance costs of $811 in 2013.

Operating profit as a percentage of sales was 21.0 percent in 2013 compared to 23.8 percent in 2012. The decrease was primarily due to the dilutive effect of 2013 and 2012 acquisitions, as well as modest organic sales growth and higher selling and administrative expenses.

Operating capacity for each of our segments can support fluctuations in order activity without significant changes in operating costs. Also, currency translation affects reported operating margins. Operating margins for each segment were unfavorably impacted by a stronger dollar during 2013 as compared to 2012.

Operating profit as a percentage of sales for the Adhesive Dispensing Systems segment decreased to 25.7 percent in 2013 from 30.9 percent in 2012. The decrease was primarily due to the dilutive effect of 2013 and 2012 acquisitions.

Operating profit as a percentage of sales for the Advanced Technology Systems segment decreased to 23.9 percent in 2013 from 26.0 percent in 2012. The decline was partially due to a higher mix of engineered systems serving mobile electronic device customers and incremental spending on initiatives that are intended to drive growth in future periods.

Operating profit as a percentage of sales for the Industrial Coating Systems segment increased to 14.5 percent in 2013 from 12.4 percent in 2012. The increase was primarily due to better absorption of fixed expenses, as well as the accretive effect of a 2012 acquisition.

Interest and other income (expense) Interest expense in 2013 was $14,841, an increase of $3,688, or 33.1 percent, from 2012. The increase was due to higher borrowing levels resulting primarily from acquisitions in the second half of 2012 and 2013.

Other income in 2013 was $1,694 compared to $1,463 in 2012. Included in 2013 were the gain on sale of real estate in China of $2,106 and foreign currency losses of $2,214. The 2012 amount included a net gain of $713 on the sale of three facilities within the Adhesive Dispensing Systems segment and foreign currency losses of $1,016.

Income taxes Income tax expense in 2013 was $89,306, or 28.7 percent of pre-tax income, as compared to $101,424, or 31.1 percent of pre-tax income in 2012.

The 2013 rate was impacted by a favorable adjustment to unrecognized tax benefits of $900 primarily related to expiration of certain foreign statutes of limitations. On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retroactively reinstated and extended the Federal Research and Development Tax Credit (Federal R&D Tax Credit) from January 1, 2012 to December 31, 2013 and extended certain other tax provisions. As a result, the Company s income tax expense for 2013 includes a discrete tax benefit of $1,700 related to 2012.

The 2012 tax rate was impacted by a favorable adjustment related to our 2011 tax provision that reduced income taxes by $400, a favorable adjustment to deferred taxes related to a tax rate reduction in the United Kingdom that reduced income taxes by $175, and additional tax expense of $325 related to an adjustment of deferred taxes resulting from a tax rate reduction in Japan.

Net income Net income was $221,817, or $3.42 per diluted share, in 2013, compared to net income of $224,829, or $3.45 per diluted share in 2012. This represented a 1.3 percent decrease in net income and a 0.9 percent decrease in diluted earnings per share.

Liquidity and Capital Resources

Cash and cash equivalents decreased $61 in 2014. Cash provided by operating activities was $288,155 in 2014, compared to $268,376 in 2013. The primary sources were net income adjusted for non-cash income and expenses

and the tax benefit from the exercise of stock options, the sum of which was $322,529 in 2014, compared to $287,378 in 2013. Operating assets and liabilities used $34,374 of cash in 2014, compared to $19,002 in 2013. The primary reasons for this increase were higher receivables due to higher year-end shipments, higher inventory investments to meet anticipated demand, partially offset by higher accrued liabilities.

Cash used by investing activities was $230,525 in 2014, compared to $220,545 in 2013. The 2014 acquisitions of Avalon Laboratories and Dima Group B.V. used $186,420 of cash. The 2013 acquisitions of the Kreyenborg Group, certain assets from Kodama Chemical Industry Co., Ltd and certain assets from Nellcor Puritan Bennett Mexico, S.A. de C.V., a subsidiary of Covidien LP used $176,333 of cash. Capital expenditures were $43,574 in 2014, down from $47,219 in the prior year. Current year capital expenditures were focused on production machinery, continued investments in our information systems platform and on a new facility in Colorado supporting our fluid management product lines. Cash proceeds of $3,847 in 2013 related primarily to sale of real estate in China.

Cash of $53,458 was used by financing activities in 2014, compared to $52,426 in 2013. Included in 2014 were net short and long-term borrowings of $153,823, compared to $15,747 in the prior year. The change was primarily due to increased borrowing for acquisitions and purchase of treasury shares in 2014. Issuance of common shares related to employee benefit plans generated $7,013 of cash in 2014, up from $6,018 in 2013, and the tax benefit from stock option exercises was $6,385 in the current year, up from $5,531 in the prior year. These increases were the result of higher stock option exercises. In 2014, cash of $166,434 was used for the purchase of treasury shares, up from $33,402 in 2013. Dividend payments were $48,391 in 2014, up from $40,478 in 2013 due to an increase in the annual dividend to $0.76 per share from $0.63 per share.

The following is a summary of significant changes by balance sheet caption from October 31, 2013 to October 31, 2014. Receivables increased $57,137 primarily due to higher sales in the fourth quarter of 2014 compared to the fourth quarter of 2013. The increase of $12,470 in inventories was primarily due to inventory held by Avalon Laboratories and Dima Group B.V, which were both acquired in 2014. Net property, plant and equipment increased $23,460 primarily due to capital expenditures and acquisitions, partially offset by depreciation expense. Goodwill increased $113,326, due to acquisitions completed in 2014 that added $124,391 of goodwill, offset by $11,065 from the effects of currency translation. The increase in net other intangibles of $22,237 was due to $53,281 of intangibles added as a result of the 2014 acquisitions, partially offset by $25,308 of amortization and $5,736 from the effects of currency translation.

The increase in notes payable of $102,577 was related to the borrowing of a $100,000 short-term credit facility with PNC Bank. Accounts payable increased $6,377, primarily due to the higher level of business activity in the fourth quarter of 2014 compared to the fourth quarter of 2013. The increase in income taxes payable of $2,064 was due to the timing of required tax payments. The increase of $26,473 in accrued liabilities was due to higher compensation-related accruals and higher value of foreign exchange contracts. The long-term debt increase of $44,710 primarily reflects $121,242 of net borrowings under our revolving credit agreement offset by repayments of $65,815 under our 100,000 agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd, and repayments of $10,556 under our New York Life credit facility. The $20,328 increase in long-term pension obligations was primarily the result of a decrease in discount rates and new mortality tables used for domestic plans. Postretirement obligations increased $8,506 primarily due to a decrease in discount rates and new mortality tables used for domestic plans. The increase of $3,945 in other long-term liabilities is due primarily to the Avalon and Dima Group acquisitions and Corporate deferred compensation liabilities.

In August 2013 the board of directors approved a repurchase program of up to $200,000. Uses for repurchased shares include the funding of benefit programs including stock options, restricted stock and 401(k) matching. Shares purchased are treated as treasury shares until used for such purposes. The repurchase program is being funded using cash from operations and proceeds from borrowings under our credit facilities. During 2014, we repurchased 2,224 shares within these programs for a total of $163,584, excluding shares repurchased for taxes associated with stock-based compensation.

As of October 31, 2014, approximately 87 percent of our consolidated cash and cash equivalents were held at various foreign subsidiaries. Deferred income taxes are not provided on undistributed earnings of international

subsidiaries that are intended to be permanently invested in those operations. These undistributed earnings aggregated approximately $622,914 and $510,842 at October 31, 2014 and 2013, respectively. Should these earnings be distributed, applicable foreign tax credits would substantially offset United States taxes due upon the distribution.

Subsequent to October 31, 2014, the board of directors authorized a new $300,000 share repurchase program, effective December 16, 2014. This new program replaced the $200,000 program approved by the board in August 2013.

Contractual Obligations

The following table summarizes contractual obligations as of October 31, 2014:

Obligations		**Payments Due by Period**			
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt[(1)]	$ 693,619	$ 10,751	$ 487,384	$ 48,178	$ 147,306
Interest payments on long-term debt[(1)]	43,297	7,464	13,220	10,462	12,151
Capital lease obligations[(2)]	22,267	6,866	7,297	1,628	6,476
Operating leases[(2)]	43,551	12,189	13,000	7,952	10,410
Notes payable[(3)]	106,181	106,181			
Contributions related to pension and postretirement benefits[(4)]	28,100	28,100			
Purchase obligations[(5)]	52,616	52,314	302		
Total obligations	$ 989,631	$ 223,865	$ 521,203	$ 68,220	$ 176,343

(1) We have a $500,000 unsecured, multicurrency credit facility with a group of banks that expires in December 2016 and may be increased to $750,000 under certain conditions. At October 31, 2014, $375,242 was outstanding under this facility, compared to $254,000 outstanding at October 31, 2013. The weighted average interest rate for borrowings under this agreement was 1.08 percent at October 31, 2014. There are two primary financial covenants that must be met under this facility. The first covenant limits the amount of total indebtedness that can be incurred to 3.50 times consolidated trailing four-quarter EBITDA (both indebtedness and EBITDA as defined in the credit agreement). The second covenant requires consolidated trailing four-quarter EBITDA to be at least 2.75 times consolidated trailing four-quarter interest expense (both as defined in the credit agreement). At October 31, 2014, we were in compliance with all debt covenants, and the amount we could borrow under the credit facility would not have been limited by any debt covenants.

In 2011, we entered into a $150,000 three-year Private Shelf Note agreement with New York Life Investment Management LLC. Effective in 2013, the amount of the facility was increased from $150,000 to $175,000. Borrowings under the agreement may be up to 12 years, with an average life of up to 10 years and are unsecured. The interest rate on each borrowing can be fixed or floating and is based upon the market rate at the borrowing date. This agreement contains customary events of default and covenants related to limitations on indebtedness and the maintenance of certain financial ratios. At October 31, 2014, there was $53,333 outstanding under this facility, compared to $63,889 at October 31, 2013. The fixed rate was 2.21 percent at October 31, 2014. We were in compliance with all covenants at October 31, 2014, and the amount we could borrow would not have been limited by any debt covenants.

In 2012, we entered into a Note Purchase Agreement with a group of insurance companies under which we sold $200,000 of Senior Notes. The notes mature between July 2017 and July 2025 and bear interest at fixed rates between 2.27 percent and 3.13 percent. We were in compliance with all covenants at October 31, 2014.

In 2013, we entered into a 100,000 agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. The term of the agreement is three years and can be extended by one year at the end of the third and fourth anniversaries. The

interest rate is variable based upon the EUR LIBOR rate and was 0.95 percent at October 31, 2014. At October 31, 2014, there was 50,500 $(63,244) outstanding under this agreement, compared to 95,000 $(129,058) at October 31, 2013. We were in compliance with all covenants at October 31, 2014.

See Note 9 for additional information.

(2) See Note 10 for additional information.

(3) In 2014, we entered into a 364-day $100,000 unsecured credit facility with PNC Bank. We borrowed $100,000 under this facility to partially fund the Avalon acquisition. No additional borrowings can be made under this agreement, and any future repayments will reduce the maximum amount by the amount of the repayment. The interest rate for borrowings under this facility was 0.95 percent at October 31, 2014. We were in compliance with all covenants at October 31, 2014.

See Note 8 for additional information.

(4) Pension and postretirement plan funding amounts after 2015 will be determined based on the future funded status of the plans and therefore cannot be estimated at this time. See Note 6 for additional information.

(5) Purchase obligations primarily represent commitments for materials used in our manufacturing processes that are not recorded in our Consolidated Balance Sheet.

We believe that the combination of present capital resources, internally generated funds and unused financing sources are more than adequate to meet cash requirements for 2015. There are no significant restrictions limiting the transfer of funds from international subsidiaries to the parent company.

Outlook

Our operating performance, balance sheet position, and financial ratios for 2014 remained strong relative to 2013 and recent years, although uncertainties persisted in global financial markets and the general economic environment. Going forward, we are well-positioned to manage our liquidity needs that arise from working capital requirements, capital expenditures, contributions related to pension and postretirement obligations, and principal and interest payments on indebtedness. Primary sources of capital to meet these needs as well as other opportunistic investments are cash provided by operations and borrowings under our loan agreements. In 2014, cash from operations was 17 percent of revenue. With respect to borrowing under existing loan agreements, as of October 31, 2014, we had $124,758 available capacity under our five-year term, $500,000 unsecured, multicurrency credit facility. In addition, we had $121,666 borrowing capacity remaining on our $175,000 three-year Private Shelf agreement with New York Life Investment Management LLC. While these facilities provide the contractual terms for any borrowing, we cannot be assured that these facilities would be available in the event that these financial institutions failed to remain sufficiently capitalized.

Other loan agreements exist with no remaining borrowing capacity, but factor into debt covenant calculations that affect future borrowing capacity. On July 26, 2012, we entered into a note purchase agreement with a group of insurance companies under which we sold $200,000 of senior notes. The notes mature between July 2017 and July 2025 and bear interest at fixed rates between 2.27 percent and 3.13 percent. As of October 31, 2014, we owe 50,500 on a 100,000 three-year term loan facility entered into on August 30, 2013, with the Bank of Tokyo Mitsubishi UFJ, Ltd. This loan facility bears interest at variable margin rates of 0.75 percent to 1.625 percent above EUR LIBOR. As of August 6, 2014, we entered into a $100,000 364-day term loan facility with PNC Bank, National Association. Rate on this loan is 75 basis points over LIBOR.

Respective to all of these loans are two primary covenants, the leverage ratio that restricts indebtedness (net of cash) to a maximum 3.50 times consolidated four-quarter trailing EBITDA and the interest coverage ratio that requires four-quarter trailing EBITDA to be at minimum 2.75 times consolidated trailing four-quarter interest expense. (Debt, EBITDA, and interest expense are as defined in respective credit agreements.) With respect to these two primary covenants as of October 31, 2014, we were approximately 47 percent of the most restrictive leverage ratio and approximately nine times the most restrictive interest coverage ratio. Unused borrowing capacity under existing loan agreements would amount to an additional 15 percent of the most restrictive leverage ratio.

Regarding expectations for 2015, we are optimistic about the growth opportunities in the diverse consumer durable, non-durable, medical, electronics and industrial end markets we serve. However, we move forward with caution given slower growth in emerging markets, economists expectations for global GDP indicating a low-growth macroeconomic environment and marketplace effects of political instability in certain areas of the world. Though the pace of improvement in the global economy remains somewhat unclear, our growth potential has been demonstrated over time from our capacity to build and enhance our core by entering emerging markets and pursuing market adjacencies. We drive value for our customers through our application expertise, differentiated technology, and direct sales and service support. Our priorities also focus on operational improvements by employing continuous improvement methodologies to our business processes. We expect these efforts will continue to provide more than sufficient cash from operations for meeting our liquidity needs and paying dividends to common shareholders, as well as enabling us to invest in the development of new applications and markets for our technologies and pursue strategic acquisition opportunities. For 2009 2014, excluding voluntary contributions to US defined benefit plans in 2010, cash from operations have been 17 to 21 percent of revenues, resulting in more than sufficient cash for our ordinary business requirements. Our available borrowing capacity will enable us to make opportunistic investments in our own common shares and strategic business combinations.

With respect to contractual spending, the table above presents our financial obligations as $989,631 of which $223,865 is payable in 2015. Effective December 16, 2014, we have in place a share repurchase program approved by the board of directors, authorizing management at its discretion to repurchase shares up to $300,000.

This new authorization continues a succession of share repurchase programs authorized since 2011. The repurchase program is funded using cash from operations and proceeds from borrowings under our credit facilities. Timing and actual number of shares subject to repurchase are contingent on a number of factors including levels of cash generation from operations, cash requirements for acquisitions, repayment of debt and our share price. Capital expenditures for 2015 will be focused on continued investments in our information systems, completing a new facility in Colorado supporting our fluid management product lines and projects that improve both capacity and efficiency of manufacturing and distribution operations.

Effects of Foreign Currency

The impact of changes in foreign currency exchange rates on sales and operating results cannot be precisely measured due to fluctuating selling prices, sales volume, product mix and cost structures in each country where we operate. As a general rule, a weakening of the United States dollar relative to foreign currencies has a favorable effect on sales and net income, while a strengthening of the dollar has a detrimental effect.

In 2014, as compared with 2013, the United States dollar was generally stronger against foreign currencies. If 2013 exchange rates had been in effect during 2014, sales would have been approximately $7,002 higher and third-party costs would have been approximately $1,845 higher. In 2013, as compared with 2012, the United States dollar was generally stronger against foreign currencies. If 2012 exchange rates had been in effect during 2013, sales would have been approximately $15,052 higher and third-party costs would have been approximately $7,035 higher. These effects on reported sales do not include the impact of local price adjustments made in response to changes in currency exchange rates.

Inflation

Inflation affects profit margins as the ability to pass cost increases on to customers is restricted by the need for competitive pricing. Although inflation has been modest in recent years and has had no material effect on the years covered by these financial statements, we continue to seek ways to minimize the impact of inflation through focused efforts to increase productivity.

Trends

The Five-Year Summary in Item 6 documents our historical financial trends. Over this period, the world s economic conditions fluctuated significantly. Our solid performance is attributed to our participation in diverse geographic and industrial markets and our long-term commitment to develop and provide quality products and worldwide service to meet our customers changing needs.

Safe Harbor Statements Under the Private Securities Litigation Reform Act of 1995

This Form 10-K, particularly Management s Discussion and Analysis, contains forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income, earnings, cash flows, changes in operations, operating improvements, businesses in which we operate and the United States and global economies. Statements in this 10-K that are not historical are hereby identified as forward-looking statements and may be indicated by words or phrases such as anticipates, supports, plans, projects, expects, believes, should, would forecast, management is of the opinion, use of the future tense and similar words or phrases.

In light of these risks and uncertainties, actual events and results may vary significantly from those included in or contemplated or implied by such statements. Readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Factors that could cause our actual results to differ materially from the expected results are discussed in Item 1A, Risk Factors.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We operate internationally and enter into intercompany transactions denominated in foreign currencies. Consequently, we are subject to market risk arising from exchange rate movements between the dates foreign currencies are recorded and the dates they are settled. We regularly use foreign exchange contracts to reduce our risks related to most of these transactions. These contracts, primarily associated with the euro, yen and pound sterling, typically have maturities of 90 days or less, and generally require the exchange of foreign currencies for United States dollars at rates stated in the contracts. Gains and losses from changes in the market value of these contracts offset foreign exchange losses and gains, respectively, on the underlying transactions. Other transactions denominated in foreign currencies are designated as hedges of our net investments in foreign subsidiaries or are intercompany transactions of a long-term investment nature. As a result of the use of foreign exchange contracts on a routine basis to reduce the risks related to most of our transactions denominated in foreign currencies, as of October 31, 2014, we did not have material foreign currency exposure.

Note 12 to the financial statements contains additional information about our foreign currency transactions and the methods and assumptions used to record these transactions.

A portion of our operations is financed with short-term and long-term borrowings and is subject to market risk arising from changes in interest rates.

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The tables that follow present principal repayments and weighted-average interest rates on outstanding borrowings of fixed-rate debt.

At October 31, 2014

	2015	2016	2017	2018	2019	Thereafter	Total Value	Fair Value
Annual repayments of long-term debt	**$ 10,751**	**$ 10,798**	**$ 38,101**	**$ 26,586**	**$ 21,591**	**$ 147,306**	**$ 255,133**	**$ 257,654**
Average interest rate on total borrowings outstanding during the year	**2.8%**	**2.8%**	**2.8%**	**2.9%**	**3.0%**	**3.0%**	**2.8%**	

At October 31, 2013

	2014	2015	2016	2017	2018	Thereafter	Total Value	Fair Value
Annual repayments of long-term debt	$ 10,832	$ 10,757	$ 10,763	$ 38,095	$ 26,587	$ 168,897	$ 265,931	$ 253,845
Average interest rate on total borrowings outstanding during the year	2.8%	2.8%	2.8%	2.8%	2.9%	3.0%	2.8%	

We also have variable-rate notes payable and long-term debt. The weighted average interest rate of this debt was 1.1 percent at October 31, 2014 and 1.0 percent at October 31, 2013. A one percent increase in interest rates would have resulted in additional interest expense of approximately $4,201 on the variable rate notes payable and long-term debt in 2014.

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Item 8. Financial Statements and Supplementary Data

Consolidated Statements of Income

Years ended October 31, 2014, 2013 and 2012	2014	2013	2012
(In thousands except for per-share amounts)			
Sales	**$ 1,704,021**	$ 1,542,921	$ 1,409,578
Operating costs and expenses:			
Cost of sales	**758,923**	676,777	586,289
Selling and administrative expenses	**577,993**	542,295	487,809
	1,336,916	1,219,072	1,074,098
Operating profit	**367,105**	323,849	335,480
Other income (expense):			
Interest expense	**(15,035)**	(14,841)	(11,153)
Interest and investment income	**581**	421	463
Other net	**(138)**	1,694	1,463
	(14,592)	(12,726)	(9,227)
Income before income taxes	**352,513**	311,123	326,253
Income tax provision:			
Current	**102,251**	84,184	91,596
Deferred	**3,489**	5,122	9,828
	105,740	89,306	101,424
Net income	**$ 246,773**	$ 221,817	$ 224,829
Average common shares	**63,656**	64,214	64,407
Incremental common shares attributable to outstanding stock options, restricted stock and deferred stock-based compensation	**625**	694	696
Average common shares and common share equivalents	**64,281**	64,908	65,103
Basic earnings per share	**$ 3.88**	$ 3.45	$ 3.49
Diluted earnings per share	**$ 3.84**	$ 3.42	$ 3.45
Dividends declared per common share	**$ 0.76**	$ 0.63	$ 0.525

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

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Consolidated Statements of Comprehensive Income

Years ended October 31, 2014, 2013 and 2012 *(In thousands)*	**2014**	**2013**	**2012**
Net income	**$ 246,773**	$ 221,817	$ 224,829
Components of other comprehensive income (loss), net of tax:			
Translation adjustments	**(23,972)**	465	(10,806)
Pension and postretirement benefit plans:			
Prior service (cost) credit arising during the year	**175**	(1,050)	2,142
Net actuarial gain (loss) arising during the year	**(29,158)**	38,149	(23,829)
Amortization of prior service cost	**(251)**	(375)	(183)
Amortization of actuarial loss	**6,989**	9,657	7,899
Settlement loss recognized	**398**		563
Total pension and postretirement benefit plans	**(21,847)**	46,381	(13,408)
Total other comprehensive income (loss)	**(45,819)**	46,846	(24,214)
Total comprehensive income	**$ 200,954**	$ 268,663	$ 200,615

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

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Consolidated Balance Sheets

October 31, 2014 and 2013 *(In thousands)*	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 42,314**	$ 42,375
Receivables net	**365,844**	308,707
Inventories net	**210,871**	198,401
Deferred income taxes	**29,926**	30,850
Prepaid expenses	**23,728**	21,733
Total current assets	**672,683**	602,066
Property, plant and equipment net	**224,439**	200,979
Goodwill	**1,052,537**	939,211
Intangible assets net	**291,310**	269,073
Deferred income taxes	**6,559**	9,394
Other assets	**32,602**	32,456
	$ 2,280,130	$ 2,053,179
Liabilities and shareholders equity		
Current liabilities:		
Notes payable	**$ 106,181**	$ 3,604
Accounts payable	**68,500**	62,123
Income taxes payable	**16,586**	14,522
Accrued liabilities	**137,001**	110,528
Customer advance payments	**25,578**	28,341
Current maturities of long-term debt	**10,751**	10,832
Deferred income taxes	**1,163**	1,326
Current obligations under capital leases	**5,108**	5,521
Total current liabilities	**370,868**	236,797
Long-term debt	**682,868**	638,158
Obligations under capital leases	**11,018**	10,112
Pension obligations	**124,082**	103,754
Postretirement obligations	**68,300**	59,794
Deferred income taxes	**87,092**	89,541
Other liabilities	**31,105**	27,160
Shareholders equity:		
Preferred shares, no par value; 10,000 shares authorized; none issued		
Common shares, no par value; 160,000 shares authorized; 98,023 shares issued at October 31, 2014 and 2013	**12,253**	12,253
Capital in excess of stated value	**328,605**	304,549
Retained earnings	**1,560,966**	1,362,584
Accumulated other comprehensive loss	**(103,199)**	(57,380)
Common shares in treasury, at cost	**(893,828)**	(734,143)
Total shareholders equity	**904,797**	887,863
	$ 2,280,130	$ 2,053,179

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

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Consolidated Statements of Shareholders Equity

Years ended October 31, 2014, 2013 and 2012 *(In thousands)*	2014	2013	2012
Number of common shares in treasury			
Balance at beginning of year	**33,805**	33,766	32,422
Shares issued under company stock and employee benefit plans	**(480)**	(468)	(571)
Purchase of treasury shares	**2,263**	507	1,915
Balance at end of year	**35,588**	33,805	33,766
Common shares			
Balance at beginning and ending of year	**$ 12,253**	$ 12,253	$ 12,253
Capital in excess of stated value			
Balance at beginning of year	**$ 304,549**	$ 287,581	$ 272,928
Shares issued under company stock and employee benefit plans	**264**	(325)	(504)
Tax benefit from stock option and restricted stock transactions	**6,385**	5,531	4,792
Stock-based compensation	**17,407**	11,762	10,365
Balance at end of year	**$ 328,605**	$ 304,549	$ 287,581
Retained earnings			
Balance at beginning of year	**$ 1,362,584**	$ 1,181,245	$ 990,221
Net income	**246,773**	221,817	224,829
Dividends paid ($.76 per share in 2014, $.63 per share in 2013, and $.525 per share in 2012)	**(48,391)**	(40,478)	(33,805)
Balance at end of year	**$ 1,560,966**	$ 1,362,584	$ 1,181,245
Accumulated other comprehensive income (loss)			
Balance at beginning of year	**$ (57,380)**	$ (104,226)	$ (80,012)
Translation adjustments	**(23,972)**	465	(10,806)
Settlement loss recognized, net of tax of $(234) in 2014 and $(331) in 2012	**398**		563
Net prior service cost arising during the year, net of tax of $125 in 2014, $840 in 2013 and $(1,078) in 2012	**(76)**	(1,425)	1,959
Net actuarial gain (loss) arising during the year, net of tax of $11,457 in 2014, $(28,644) in 2013 and $7,791 in 2012	**(22,169)**	47,806	(15,930)
Balance at end of year	**$ (103,199)**	$ (57,380)	$ (104,226)
Common shares in treasury, at cost			
Balance at beginning of year	**$ (734,143)**	$ (707,083)	$ (624,067)
Shares issued under company stock and employee benefit plans	**6,749**	6,490	7,762
Purchase of treasury shares	**(166,434)**	(33,550)	(90,778)
Balance at end of year	**$ (893,828)**	$ (734,143)	$ (707,083)
Total shareholders equity	**$ 904,797**	$ 887,863	$ 669,770

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

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Consolidated Statements of Cash Flows

Years ended October 31, 2014, 2013 and 2012 *(In thousands)*	2014	2013	2012
Cash flows from operating activities:			
Net income	**$ 246,773**	$ 221,817	$ 224,829
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**34,446**	31,766	24,469
Amortization	**25,308**	22,672	14,521
Provision for losses on receivables	**867**	889	710
Deferred income taxes	**3,489**	5,122	9,828
Tax benefit from the exercise of stock options	**(6,385)**	(5,531)	(4,792)
Non-cash stock compensation	**17,407**	11,762	10,365
(Gain)/loss on sale of property, plant and equipment	**218**	(1,879)	(638)
Other non-cash	**406**	760	(401)
Changes in operating assets and liabilities:			
Receivables	**(65,692)**	19,971	(49,595)
Inventories	**(8,699)**	(10,741)	171
Prepaid expenses	**(1,852)**	(75)	(1,201)
Other noncurrent assets	**(232)**	(5,898)	(1,290)
Accounts payable	**6,906**	(2,549)	4,882
Income taxes payable	**9,524**	(8,552)	18,855
Accrued liabilities	**27,932**	(19,130)	12,923
Customer advance payments	**(2,103)**	(839)	2,124
Other noncurrent liabilities	**59**	7,195	12,156
Other	**(217)**	1,616	(3,518)
Net cash provided by operating activities	**288,155**	268,376	274,398
Cash flows from investing activities:			
Additions to property, plant and equipment	**(43,574)**	(47,219)	(30,959)
Proceeds from sale of property, plant and equipment	**323**	3,847	6,120
Proceeds from sale of product lines			2,213
Acquisition of businesses, net of cash acquired	**(186,420)**	(176,333)	(443,864)
Investment in equity affiliate	**(854)**	(1,116)	
Proceeds from sale of (purchases of) marketable securities		276	(279)
Net cash used in investing activities	**(230,525)**	(220,545)	(466,769)
Cash flows from financing activities:			
Proceeds from short-term borrowings	**108,679**	5,036	250,001
Repayment of short-term borrowings	**(6,093)**	(51,505)	(200,033)
Proceeds from long-term debt	**158,828**	270,283	401,175
Repayment of long-term debt	**(107,591)**	(208,067)	(136,589)
Repayment of capital lease obligations	**(5,854)**	(5,842)	(5,203)
Issuance of common shares	**7,013**	6,018	4,934
Purchase of treasury shares	**(166,434)**	(33,402)	(88,455)
Tax benefit from the exercise of stock options	**6,385**	5,531	4,792
Dividends paid	**(48,391)**	(40,478)	(33,805)
Net cash provided by (used in) financing activities	**(53,458)**	(52,426)	196,817
Effect of exchange rate changes on cash	**(4,233)**	5,731	(615)
Increase (decrease) in cash and cash equivalents	**(61)**	1,136	3,831
Cash and cash equivalents at beginning of year	**42,375**	41,239	37,408

Cash and cash equivalents at end of year	**$ 42,314**	$ 42,375	$ 41,239

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

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Notes to Consolidated Financial Statements

NOTE REGARDING AMOUNTS AND FISCAL YEAR REFERENCES

In this annual report, all amounts related to United States dollars and foreign currency and to the number of Nordson Corporation s common shares, except for per share earnings and dividend amounts, are expressed in thousands. Unless the context otherwise indicates, all references to we or the Company mean Nordson Corporation.

Unless otherwise noted, all references to years relate to our fiscal year.

Note 1 Significant accounting policies

Consolidation The consolidated financial statements include the accounts of Nordson Corporation and its majority-owned and controlled subsidiaries. Investments in affiliates and joint ventures in which our ownership is 50 percent or less or in which we do not have control but have the ability to exercise significant influence, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. Actual amounts could differ from these estimates.

Presentation Certain amounts for 2013 were reclassified to correct immaterial misclassifications of deferred tax assets and deferred tax liabilities. Specifically, non-current deferred tax liabilities increased $9,564, current deferred tax liabilities increased $1,326, non-current deferred tax assets increased $9,394 and current deferred tax assets increased $1,496.

Fiscal year Our fiscal year is November 1 through October 31.

Revenue recognition Most of our revenues are recognized upon shipment, provided that persuasive evidence of an arrangement exists, the sales price is fixed or determinable, collectibility is reasonably assured, and title and risk of loss have passed to the customer.

A relative selling price hierarchy exists for determining the selling price of deliverables in multiple deliverable arrangements. Vendor specific objective evidence (VSOE) is used, if available. Third-party evidence (TPE) is used if VSOE is not available, and best estimated selling price (BESP) is used if neither VSOE nor TPE is available. Our multiple deliverable arrangements include installation, installation supervision, training, and spare parts, which tend to be completed in a short period of time, at an insignificant cost, and utilizing skills not unique to us, therefore, are typically regarded as inconsequential or perfunctory. Revenue for undelivered items is deferred and included within accrued liabilities in the accompanying balance sheet. Revenues deferred in 2014, 2013 and 2012 were not material.

Shipping and handling costs Amounts billed to customers for shipping and handling are recorded as revenue. Shipping and handling expenses are included in cost of sales.

Advertising costs Advertising costs are expensed as incurred and were $10,823, $12,480 and $10,935 in 2014, 2013 and 2012, respectively.

Research and development Research and development costs are expensed as incurred and were $47,536, $47,973 and $36,535 in 2014, 2013 and 2012, respectively.

Earnings per share Basic earnings per share are computed based on the weighted-average number of common shares outstanding during each year, while diluted earnings per share are based on the weighted-average number of common shares and common share equivalents outstanding. Common share equivalents consist of shares issuable upon exercise of stock options computed using the treasury stock method, as well as restricted stock and deferred stock-based compensation. Options whose exercise price is higher than the average market price are excluded from the calculation of diluted earnings per share because the effect would be anti-dilutive. Options for 69 common shares were excluded from the diluted earnings per share calculation in 2014 because their effect would have been anti-dilutive. No options for common shares were excluded from the 2013 diluted earnings per

Notes to Consolidated Financial Statements *(Continued)*

share calculation, and options for 75 common shares were excluded from the diluted earnings per share calculation in 2012. Under the 2012 Stock Incentive and Award Plan, executive officers and selected other key employees receive common share awards based on corporate performance measures over three-year performance periods. Awards for which performance measures have not been met were excluded from the calculation of diluted earnings per share.

Cash and cash equivalents Highly liquid instruments with maturities of 90 days or less at date of purchase are considered to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Allowance for doubtful accounts An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of customers to make required payments. The amount of the allowance is determined principally on the basis of past collection experience and known factors regarding specific customers. Accounts are written off against the allowance when it becomes evident that collection will not occur.

Inventories Inventories are valued at the lower of cost or market. Cost was determined using the last-in, first-out (LIFO) method for 21 percent of consolidated inventories at October 31, 2014, and October 31, 2013. The first-in, first-out (FIFO) method is used for all other inventories. Consolidated inventories would have been $7,496 and $6,797 higher than reported at October 31, 2014 and October 31, 2013, respectively, had the FIFO method, which approximates current cost, been used for valuation of all inventories.

Property, plant and equipment and depreciation Property, plant and equipment are carried at cost. Additions and improvements that extend the lives of assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Plant and equipment are depreciated for financial reporting purposes using the straight-line method over the estimated useful lives of the assets or, in the case of property under capital leases, over the terms of the leases. Leasehold improvements are depreciated over the shorter of the lease term or their useful lives. Useful lives are as follows:

Land improvements	15-25 years
Buildings	20-40 years
Machinery and equipment	3-18 years
Enterprise management systems	5-13 years

Depreciation expense is included in cost of sales and selling and administrative expenses.

Internal use software costs are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage or the post-implementation stage. Amounts capitalized are amortized over the estimated useful lives of the software beginning with the project s completion. All reengineering costs are expensed as incurred. Interest costs on significant capital projects are capitalized. No interest was capitalized in 2014, 2013 or 2012.

Goodwill and intangible assets Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill relates to and is assigned directly to specific reporting units. Goodwill is not amortized but is subject to annual impairment testing. Our annual impairment testing is performed as of August 1. Testing is done more frequently if an event occurs or circumstances change that would indicate the fair value of a reporting unit is less than the carrying amount of those assets.

Other amortizable intangible assets, which consist primarily of patent/technology costs, customer relationships, noncompete agreements, and trade names, are amortized over their useful lives on a straight-line basis. At October 31, 2014, the weighted-average useful lives for each major category of amortizable intangible assets were:

Patent/technology costs	14 years
Customer relationships	14 years

Noncompete agreements	3 years
Trade names	16 years

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Notes to Consolidated Financial Statements *(Continued)*

Foreign currency translation The financial statements of subsidiaries outside the United States are generally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet dates. Income and expense items are translated at average monthly rates of exchange. The resulting translation adjustments are included in accumulated other comprehensive income (loss), a separate component of shareholders equity. Generally, gains and losses from foreign currency transactions, including forward contracts, of these subsidiaries and the United States parent are included in net income. Gains and losses from intercompany foreign currency transactions of a long-term investment nature are included in accumulated other comprehensive income (loss).

Accumulated other comprehensive loss Accumulated other comprehensive loss at October 31, 2014 and 2013 consisted of:

	Cumulative translation adjustments	Pension and postretirement benefit plan adjustments	Accumulated other comprehensive loss
Balance at October 31, 2013	$ 26,699	$ (84,079)	$ (57,380)
Pension and postretirement plan changes, net of tax of $(11,348)		(21,847)	(21,847)
Current period charge	(23,972)		(23,972)
Balance at October 31, 2014	$ 2,727	$ (105,926)	$ (103,199)

Warranties We offer warranties to our customers depending on the specific product and terms of the customer purchase agreement. A typical warranty program requires that we repair or replace defective products within a specified time period (generally one year) measured from the date of delivery or first use. We record an estimate for future warranty-related costs based on actual historical return rates. Based on analysis of return rates and other factors, the adequacy of our warranty provisions are adjusted as necessary. The liability for warranty costs is included in accrued liabilities in the Consolidated Balance Sheet.

Following is a reconciliation of the product warranty liability for 2014 and 2013:

	2014	2013
Balance at beginning of year	**$ 9,409**	$ 8,929
Accruals for warranties	**10,813**	7,891
Warranty assumed from acquisitions		947
Warranty payments	**(10,012)**	(8,356)
Currency adjustments	**(292)**	(2)
Balance at end of year	**$ 9,918**	$ 9,409

Note 2 Recently issued accounting standards

In July 2013, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. The new guidance is effective prospectively to all existing unrecognized tax benefits, but entities can choose to apply it retrospectively. The guidance will be effective for us in our first quarter of 2015, with early adoption permitted. We do not believe the adoption of this ASU will have a material effect on our consolidated financial statements.

In May 2014, the FASB issued a new standard regarding revenue recognition. Under this standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the

Notes to Consolidated Financial Statements *(Continued)*

consideration to which the company expects to be entitled in exchange for those goods or services. The standard implements a five-step process for customer contract revenue recognition that focuses on transfer of control. It will be effective for us beginning in 2018, with early adoption not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact this standard will have on our consolidated financial statements as well as the method by which we will adopt the new standard.

Note 3 Acquisitions

Business acquisitions have been accounted for as purchases, with the acquired assets and liabilities recorded at estimated fair value on the dates of acquisition. The cost in excess of the net assets of the business acquired is included in goodwill. Operating results since the respective dates of acquisitions are included in the Consolidated Statement of Income.

2014 acquisitions

On August 8, 2014, we purchased 100 percent of the outstanding shares of Avalon Laboratories Holding Corp. (Avalon). Avalon, a leading designer and manufacturer of highly specialized catheters and medical tubing products for cardiology, pulmonology and related applications, complements our existing lines of highly engineered, single-use plastic components for fluid management in medical applications. We acquired Avalon for an aggregate purchase price of $179,966, net of cash acquired of $1,324. Based on the fair value of the assets acquired and the liabilities assumed, goodwill of $122,011 and identifiable intangible assets of $52,000 were recorded. The identifiable intangible assets consist primarily of $32,200 of customer relationships (amortized over 10 years), $9,800 of technology (amortized over 10 years) and $10,000 of tradenames (amortized over 15 years). Goodwill associated with this acquisition is not tax deductible; however there is $15,800 from a previous acquisition that is tax deductible.

On August 29, 2014, we purchased 100 percent of the outstanding shares of Dima Group B.V. (Dima), a Netherlands based manufacturer of conformal coating, dispensing and surface mount technology equipment for the global electronics assembly market. We acquired Dima for an aggregate purchase price of $6,454, net of cash acquired of $149. Based on the fair value of the assets acquired and the liabilities assumed, goodwill of $2,380 and identifiable intangible assets of $1,281 were recorded. The identifiable intangible assets consist primarily of $1,017 of customer relationships (amortized over 7 years), and $264 of tradenames (amortized over 15 years). Goodwill associated with this acquisition is not tax deductible.

Both of these acquisitions are being reported in our Advanced Technology Systems segment.

As of October 31, 2014, the purchase price allocations remain preliminary as we complete our assessments of deferred taxes and certain reserves.

2013 acquisitions

On November 8, 2012, we purchased certain assets of Kodama Chemical Industry Co., Ltd., a Japanese licensed distributor of EDI Holdings, Inc, (EDI), that we had previously acquired in 2012. This operation provides die sales to extrusion processors, web converters, and OEMs in Japan and Taiwan and carries out final manufacturing steps on new equipment to enhance die performance and accommodate local requirements. The acquisition date fair value was $1,335, which consisted of cash transferred of $1,231 and a holdback liability of $104. Based on the fair value of the assets acquired and the liabilities assumed, identifiable intangible assets of $912 were recorded. The identifiable intangible assets consist primarily of $847 of customer relationships that are being amortized over nine years and $65 of technology being amortized over nine years. This operation is being reported in our Adhesive Dispensing Systems segment.

On August 30, 2013, we purchased 100 percent of the outstanding shares of Münster, Germany based Kreyenborg Group s Kreyenborg GmbH and BKG Bruckmann & Kreyenborg Granuliertechnik GmbH (the Kreyenborg Group). The Kreyenborg Group broadens our existing offering of screen changers, pumps and valves,

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Notes to Consolidated Financial Statements *(Continued)*

critical components in the polymer processing melt stream for extrusion processes, and expands the product portfolio to include pelletizers, the key component in polymer compounding, recycling and related processes. The acquired companies employ approximately 270 people, have additional operations in Shanghai, China, Kuala Lumpur and Malaysia, and are reported in our Adhesive Dispensing Systems segment. We acquired the Kreyenborg Group for an aggregate purchase price of $169,994, net of cash acquired of $22,913 and debt assumed of $391. Based on the fair value of the assets acquired and the liabilities assumed, goodwill of $115,103 and identifiable intangible assets of $60,021 were recorded. The identifiable intangible assets consist primarily of $42,306 of customer relationships (amortized over 15 years), $15,336 of technology (amortized over 15 years) and $1,851 of tradenames related to BKG (amortized over 10 years). Goodwill associated with this acquisition is not tax deductible.

On September 27, 2013 we purchased certain assets of Nellcor Puritan Bennett Mexico, S.A. de C.V., a subsidiary of Covidien LP (Nellcor) to be used by our Value Plastics operation. The fair value on the date of acquisition was $5,500, consisting solely of cash. Based on the fair value of the assets acquired and the liabilities assumed, goodwill of $2,301, property, plant and equipment of $1,149, technology of $740 (amortized over 10 years) and customer relationships of $1,310 (amortized over 25 years) were recorded. Goodwill associated with this acquisition is not tax deductible. Value Plastics is reported in our Advanced Technology Systems segment.

2012 acquisitions

On June 14, 2012, we acquired 100 percent of the outstanding shares of EDI Holdings, Inc. (EDI), a provider of slot coating and flat polymer extrusion dies for plastic processors and web converters headquartered in Chippewa Falls, Wisconsin. EDI is being reported in our Adhesive Dispensing Systems segment.

On June 21, 2012, we acquired 100 percent of the outstanding shares of Xaloy Superior Holdings, Inc. (Xaloy), a manufacturer of melt delivery components for injection and extrusion machinery in the global plastic processing industry headquartered in New Castle, Pennsylvania. Xaloy is being reported in our Adhesive Dispensing Systems segment.

On August 1, 2012 we acquired 100 percent of the outstanding shares of Sealant Equipment & Engineering, Inc. (SEE), a manufacturer of precision dispense systems and fluid dispense valves headquartered in Plymouth, Michigan. SEE is being reported in our Industrial Coating Systems segment.

These acquisitions were not individually material, but in the aggregate they must be disclosed pursuant to the business combinations guidance. The total purchase price of these acquisitions was allocated to the underlying assets acquired and liabilities assumed based upon management s estimated fair values at the dates of acquisition. To the extent the purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill.

Based on the fair value of the assets acquired and the liabilities assumed, goodwill of $271,501 and identifiable intangible assets of $122,216 were recorded. The intangible assets acquired consist of customer lists of $48,350, which are being amortized over a weighted average life of nine years; technology assets of $25,740 which are being amortized over a weighted average life of 15 years; trade names of $43,710 which are being amortized over a weighted average life of 15 years; and non-compete agreements of $4,416, which are being amortized over a weighted average life of two years. Goodwill of $24,058 associated with the SEE acquisition is tax deductible, and none of the goodwill associated with the EDI and Xaloy acquisitions is tax deductible. However, there is $11,000 of goodwill related to their previous acquisitions that is tax deductible.

Notes to Consolidated Financial Statements *(Continued)*

The following unaudited pro forma financial information for 2012 assumes the acquisitions above occurred as of the beginning of 2011, after giving effect to certain adjustments, including amortization of intangible assets, interest expense on acquisition debt and income tax effects. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which may occur in the future or that would have occurred had the acquisitions been affected on the date indicated, nor are they necessarily indicative of our future results of operations.

Sales	$	1,537,251
Net income	$	234,092
Basic earnings per share	$	3.63
Diluted earnings per share	$	3.60

Proforma results were adjusted to exclude $2,109 of acquisition-related expenses and $4,589 of nonrecurring expense related to the fair value adjustment to acquisition-date inventory. Proforma results included $11,713 of pretax amortization expense related to intangible assets.

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Notes to Consolidated Financial Statements *(Continued)*

Note 4 Details of balance sheet

	2014	2013
Receivables:		
Accounts	**$ 347,259**	$ 292,469
Notes	**6,339**	9,467
Other	**16,733**	11,036
	370,331	312,972
Allowance for doubtful accounts	**(4,487)**	(4,265)
	$ 365,844	$ 308,707
Inventories:		
Raw materials and component parts	**$ 86,573**	$ 81,943
Work-in-process	**27,994**	34,756
Finished goods	**130,544**	115,078
	245,111	231,777
Obsolescence and other reserves	**(26,744)**	(26,579)
LIFO reserve	**(7,496)**	(6,797)
	$ 210,871	$ 198,401
Property, plant and equipment:		
Land	**$ 10,216**	$ 10,383
Land improvements	**3,827**	3,849
Buildings	**141,880**	127,178
Machinery and equipment	**319,110**	294,374
Enterprise management system	**44,682**	43,983
Construction-in-progress	**27,419**	21,251
Leased property under capitalized leases	**27,715**	26,838
	574,849	527,856
Accumulated depreciation and amortization	**(350,410)**	(326,877)
	$ 224,439	$ 200,979
Accrued liabilities:		
Salaries and other compensation	**$ 57,722**	$ 44,561
Pension and retirement	**1,738**	720
Taxes other than income taxes	**6,367**	5,570
Other	**71,174**	59,677
	$ 137,001	$ 110,528

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Notes to Consolidated Financial Statements *(Continued)*

Note 5 Goodwill and intangible assets

We account for goodwill and other intangible assets in accordance with the provisions of ASC 350 and account for business combinations using the acquisition method of accounting and accordingly, the assets and liabilities of the entities acquired are recorded at their estimated fair values at the acquisition date. Goodwill is the excess of purchase price over the fair value of tangible and identifiable intangible net assets acquired in various business combinations. Goodwill is not amortized but is tested for impairment annually at the reporting unit level, or more often if indications of impairment exist. We assess the fair value of reporting units on a non-recurring basis using a combination of two valuation methods, a market approach and an income approach, to estimate the fair value of our reporting units. The implied fair value of our reporting units is determined based on significant unobservable inputs; accordingly, these inputs fall within Level 3 of the fair value hierarchy.

Our reporting units are the Adhesive Dispensing Systems segment, the Industrial Coating Systems segment and one level below the Advanced Technology Systems segment.

The goodwill impairment test is a two-step process. In the first step, performed in the fourth quarter of each year, we estimate a reporting unit s fair value using a combination of the discounted cash flow method of the Income Approach and the guideline public company method of the Market Approach and compare the result against the reporting unit s carrying value of net assets. If the carrying value of a reporting unit exceeds its fair value, then a second step is performed to determine if goodwill is impaired. In the second step, a hypothetical purchase price allocation of the reporting unit s assets and liabilities is performed using the fair value calculated in step one. The difference between the fair value of the reporting unit and the hypothetical fair value of assets and liabilities is the implied goodwill amount. Impairment is recorded if the carrying value of the reporting unit s goodwill is higher than its implied goodwill. Based upon results of step one in 2014, 2013 and 2012, the second step of the goodwill impairment test was not necessary.

We acquired Avalon on August 8, 2014 and Dima on August 29, 2014. Determination of the preliminary goodwill associated with these acquisitions was completed with the assistance of an independent valuation specialist in October 2014. Since the dates of the valuations, no events or changes in circumstances have occurred that would more likely than not reduce the fair value of these acquisitions below their carrying values.

Changes in the carrying amount of goodwill during 2014 by operating segment follow:

	Adhesive Dispensing Systems	Advanced Technology Systems	Industrial Coating Systems	Total
Balance at October 31, 2013	$ 407,269	$ 507,884	$ 24,058	$ 939,211
Acquisitions		124,391		124,391
Currency effect	(10,223)	(842)		(11,065)
Balance at October 31, 2014	$ 397,046	$ 631,433	$ 24,058	$ 1,052,537

Accumulated impairment losses, which were recorded in 2009, were $232,789 at October 31, 2014 and October 31, 2013. Of these losses, $229,173 related to the Advanced Technology Systems segment and $3,616 related to the Industrial Coating Systems segment.

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Notes to Consolidated Financial Statements (Continued)

Information regarding intangible assets subject to amortization follows:

	October 31, 2014		
	Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	**$ 200,028**	**$ 41,910**	**$ 158,118**
Patent/technology costs	**93,799**	**27,030**	**66,769**
Trade name	**77,846**	**12,173**	**65,673**
Noncompete agreements	**8,220**	**7,600**	**620**
Other	**1,369**	**1,239**	**130**
Total	**$ 381,262**	**$ 89,952**	**$ 291,310**

	October 31, 2013		
	Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 171,489	$ 28,872	$ 142,617
Patent/technology costs	85,414	21,145	64,269
Trade name	67,865	7,856	60,009
Noncompete agreements	9,965	8,091	1,874
Other	1,400	1,096	304
Total	$ 336,133	$ 67,060	$ 269,073

Amortization expense for 2014 and 2013 was $25,308 and $22,672, respectively.

Estimated amortization expense for each of the five succeeding years follows:

Year	Amounts
2015	$ 27,754
2016	$ 27,075
2017	$ 26,653
2018	$ 26,366
2019	$ 26,359

Note 6 Retirement, pension and other postretirement plans

Retirement plans We have funded contributory retirement plans covering certain employees. Our contributions are primarily determined by the terms of the plans, subject to the limitation that they shall not exceed the amounts deductible for income tax purposes. We also sponsor unfunded contributory supplemental retirement plans for certain employees. Generally, benefits under these plans vest gradually over a period of approximately three years from date of employment, and are based on the employee s contribution. The expense applicable to retirement plans for 2014, 2013 and 2012 was approximately $14,423, $12,955 and $10,827, respectively.

Pension plans We have various pension plans covering a portion of our United States and international employees. Pension plan benefits are generally based on years of employment and, for salaried employees, the level of compensation. Actuarially determined amounts are contributed to United States plans to provide sufficient assets to meet future benefit payment requirements. We also sponsor an unfunded supplemental

pension plan for certain employees. International subsidiaries fund their pension plans according to local requirements.

Notes to Consolidated Financial Statements *(Continued)*

A reconciliation of the benefit obligations, plan assets, accrued benefit cost and the amount recognized in financial statements for pension plans is as follows:

	United States		International	
	2014	**2013**	**2014**	**2013**
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 299,716**	$ 326,792	**$ 85,543**	$ 83,433
Service cost	**8,071**	8,896	**2,597**	2,098
Interest cost	**13,921**	12,314	**3,185**	2,872
Participant contributions			**137**	132
Plan amendments	**186**	1,667	**(419)**	
Foreign currency exchange rate change			**(5,343)**	(279)
Actuarial (gain) loss	**34,610**	(40,996)	**13,293**	(54)
Benefits paid	**(11,025)**	(8,957)	**(2,162)**	(2,659)
Benefit obligation at end of year	**$ 345,479**	$ 299,716	**$ 96,831**	$ 85,543
Change in plan assets:				
Beginning fair value of plan assets	**$ 243,506**	$ 214,128	**$ 37,078**	$ 34,217
Actual return on plan assets	**25,535**	20,951	**1,627**	2,102
Company contributions	**19,896**	17,384	**4,009**	3,501
Participant contributions			**137**	132
Foreign currency exchange rate change			**(1,071)**	(215)
Benefits paid	**(11,025)**	(8,957)	**(2,162)**	(2,659)
Ending fair value of plan assets	**$ 277,912**	$ 243,506	**$ 39,618**	$ 37,078
Funded status at end of year	**$ (67,567)**	$ (56,210)	**$ (57,213)**	$ (48,465)
Amounts recognized in financial statements:				
Noncurrent asset	**$**	$	**$ 17**	$ 22
Accrued benefit liability	**(709)**	(938)	**(6)**	(5)
Long-term pension and retirement obligations	**(66,858)**	(55,272)	**(57,224)**	(48,482)
Total amount recognized in financial statements	**$ (67,567)**	$ (56,210)	**$ (57,213)**	$ (48,465)

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Notes to Consolidated Financial Statements *(Continued)*

	United States		International	
	2014	**2013**	**2014**	**2013**
Amounts recognized in accumulated other comprehensive (gain) loss:				
Net actuarial loss	**$ 111,337**	$ 93,537	**$ 34,683**	$ 24,392
Prior service cost (credit)	**(47)**	4	**(995)**	(798)
Accumulated other comprehensive loss	**$ 111,290**	$ 93,541	**$ 33,688**	$ 23,594
Amounts expected to be recognized during next fiscal year:				
Amortization of net actuarial loss	**$ 8,694**	$ 8,260	**$ 2,459**	$ 1,531
Amortization of prior service cost (credit)	**121**	237	**(97)**	(82)
Total	**$ 8,815**	$ 8,497	**$ 2,362**	$ 1,449

The following table summarizes the changes in accumulated other comprehensive (gain) loss:

	United States		International	
	2014	**2013**	**2014**	**2013**
Balance at beginning of year	**$ 93,541**	$ 152,732	**$ 23,594**	$ 25,230
Net (gain) loss arising during the year	**26,372**	(46,707)	**13,438**	(642)
Prior service cost (credit) arising during the year	**186**	1,668	**(419)**	
Net gain (loss) recognized during the year	**(7,940)**	(13,995)	**(1,233)**	(1,406)
Prior service (cost) credit recognized during the year	**(237)**	(157)	**101**	81
Settlement loss	**(632)**			
Exchange rate effect during the year			**(1,793)**	331
Balance at end of year	**$ 111,290**	$ 93,541	**$ 33,688**	$ 23,594

Information regarding the accumulated benefit obligation is as follows:

	United States		International	
	2014	**2013**	**2014**	**2013**
For all plans:				
Accumulated benefit obligation	**$ 336,464**	$ 291,310	**$ 75,305**	$ 67,647
For plans with benefit obligations in excess of plan assets:				
Projected benefit obligation	**345,479**	299,716	**87,128**	71,788
Accumulated benefit obligation	**336,464**	291,310	**73,135**	59,589
Fair value of plan assets	**277,912**	243,506	**37,415**	29,000

Notes to Consolidated Financial Statements *(Continued)*

Net pension benefit costs include the following components:

	United States			International		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Service cost	**$ 8,071**	$ 8,896	$ 7,488	**$ 2,597**	$ 2,098	$ 1,504
Interest cost	**13,921**	12,314	12,137	**3,185**	2,872	3,002
Expected return on plan assets	**(17,297)**	(15,241)	(14,901)	**(1,772)**	(1,512)	(1,547)
Amortization of prior service cost (credit)	**237**	157	342	**(101)**	(81)	(97)
Amortization of net actuarial (gain) loss	**7,940**	13,995	11,672	**1,233**	1,406	564
Settlement loss	**632**		682			
Total benefit cost	**$ 13,504**	$ 20,121	$ 17,420	**$ 5,142**	$ 4,783	$ 3,426

Net periodic pension cost for 2014 included a settlement loss of $632 due to a lump sum retirement payment. Net periodic pension cost for 2012 included a settlement loss of $682, due to a plan termination.

The weighted average assumptions used in the valuation of pension benefits were as follows:

	United States			International		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Assumptions used to determine benefit obligations at October 31:						
Discount rate	**4.29%**	4.75%	3.85%	**2.94%**	3.72%	3.52%
Rate of compensation increase	**3.49**	3.30	3.30	**3.19**	3.18	3.13
Assumptions used to determine net benefit costs for the years ended October 31:						
Discount rate	**4.75**	3.85	4.46	**3.72**	3.52	4.43
Expected return on plan assets	**7.24**	7.24	7.75	**4.60**	4.43	4.85
Rate of compensation increase	**3.30**	3.30	3.20	**3.18**	3.13	3.16

The amortization of prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plans.

The discount rate reflects the current rate at which pension liabilities could be effectively settled at the end of the year. The discount rate used considers a yield derived from matching projected pension payments with maturities of a portfolio of available bonds that receive the highest rating given from a recognized investments ratings agency. The decrease in the discount rate in 2014 and increase in 2013 are due to changes in yields for these types of investments as a result of the economic environment.

In determining the expected return on plan assets, we consider both historical performance and an estimate of future long-term rates of return on assets similar to those in our plans. We consult with and consider the opinions of financial and other professionals in developing appropriate return assumptions. The rate of compensation increase is based on managements estimates using historical experience and expected increases in rates.

The measurement of domestic pension plans projected benefit obligations included the effects of adopting the Society of Actuaries release of final RP2014 / MP2014 mortality tables. The adoption of these new tables resulted in an increase of $28,554 to our domestic pension plans projected benefit obligations.

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Notes to Consolidated Financial Statements *(Continued)*

Economic assumptions have a significant effect on the amounts reported. The effect of a one percent change in the discount rate, expected return on assets and compensation increase is shown in the table below. Bracketed numbers represent decreases in expense and obligation amounts.

	United States		International	
	1% Point Increase	**1% Point Decrease**	**1% Point Increase**	**1% Point Decrease**
Discount rate:				
Effect on total service and interest cost components in 2014	$ (4,527)	$ 5,514	$ (1,235)	$ 1,561
Effect on pension obligation as of October 31, 2014	$ (44,353)	$ 55,900	$ (15,756)	$ 19,996
Expected return on assets:				
Effect on total service and interest cost components in 2014	$ (2,582)	$ 2,582	$ (375)	$ 375
Compensation increase:				
Effect on total service and interest cost components in 2014	$ 4,257	$ (2,490)	$ 934	$ (1,088)
Effect on pension obligation as of October 31, 2014	$ 21,915	$ (12,788)	$ 7,729	$ (6,999)

The allocation of pension plan assets as of October 31, 2014 and 2013 is as follows:

	United States		International	
	2014	**2013**	**2014**	**2013**
Asset Category				
Equity securities	**23 %**	27 %	%	%
Debt securities	**29**	29		
Insurance contracts			**58**	60
Pooled investment funds	**47**	43	**42**	39
Other	**1**	1		1
Total	**100 %**	100 %	**100 %**	100 %

Our investment objective for defined benefit plan assets is to meet the plans benefit obligations, while minimizing the potential for future required plan contributions.

Our United States plans comprise 88 percent of the worldwide pension assets. In general, the investment strategies focus on asset class diversification, liquidity to meet benefit payments and an appropriate balance of long-term investment return and risk. Target ranges for asset allocations are determined by dynamically matching the actuarial projections of the plans future liabilities and benefit payments with expected long-term rates of return on the assets, taking into account investment return volatility and correlations across asset classes. The current target in return-seeking assets is 45 percent and 55 percent in fixed income. Plan assets are diversified across several investment managers and are invested in liquid funds that are selected to track broad market indices. Investment risk is carefully controlled with plan assets rebalanced to target allocations on a periodic basis and continual monitoring of investment managers performance relative to the investment guidelines established with each investment manager.

Our international plans comprise 12 percent of the worldwide pension assets. Asset allocations are developed on a country-specific basis. Our investment strategy is to cover pension obligations with insurance contracts or to employ independent managers to invest the assets.

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Notes to Consolidated Financial Statements *(Continued)*

The fair values of our pension plan assets at October 31, 2014 by asset category are in the table below:

	United States				International			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash	$ 1,617	$ 1,617	$	$	$ 8	$ 8	$	$
Money market funds	2,820	2,820						
Equity securities:								
Basic materials	3,224	3,224						
Consumer goods	5,114	5,114						
Financial	8,036	8,036						
Healthcare	4,372	4,372						
Industrial goods	3,527	3,527						
Technology	4,226	4,226						
Utilities	1,084	1,084						
Mutual funds	31,255	31,255						
Fixed income securities:								
U.S. Government	26,447	7,877	18,570					
Corporate	50,720		50,720					
Other	2,486		2,486					
Other types of investments:								
Insurance contracts					23,174			23,174
Real estate collective funds	16,495			16,495				
Pooled investment funds	115,877		115,877		16,436		16,436	
Other	612	612						
	$ 277,912	$ 73,764	$ 187,653	$ 16,495	$ 39,618	$ 8	$ 16,436	$ 23,174

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Notes to Consolidated Financial Statements *(Continued)*

The fair values of our pension plan assets at October 31, 2013 by asset category are in the table below:

	United States				International			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash	$ 2,811	$ 2,811	$	$	$ 321	$ 321	$	$
Money market funds	2,783	2,783						
Equity securities:								
Basic materials	3,834	3,834						
Consumer goods	4,958	4,958						
Financial	7,825	7,825						
Healthcare	4,109	4,109						
Industrial goods	3,255	3,255						
Technology	4,159	4,159						
Utilities	988	988						
Mutual funds	32,617	32,617						
Fixed income securities:								
U.S. Government	26,892	10,715	16,177					
Corporate	43,367		43,367					
Other	1,356		1,356					
Other types of investments:								
Insurance contracts					22,093			22,093
Real estate collective funds	14,958			14,958				
Pooled investment funds	88,973		88,973		14,664		14,664	
Other	621	621						
	$ 243,506	$ 78,675	$ 149,873	$ 14,958	$ 37,078	$ 321	$ 14,664	$ 22,093

These investment funds did not own a significant number of shares of Nordson Corporation common stock for any year presented.

The inputs and methodology used to measure fair value of plan assets are consistent with those described in Note 12. Following are the valuation methodologies used to measure these assets:

Money market funds Money market funds are public investment vehicles that are valued with a net asset value of one dollar. This is a quoted price in an active market and is classified as Level 1.

Equity securities Common stocks are valued at the closing price reported on the active market on which the individual securities are traded and are classified as Level 1. Mutual funds are valued at the net asset values of the shares at year-end, as determined by the closing price reported on the active market on which the individual securities are traded and are classified as Level 1.

Fixed income securities U.S. Treasury bills reflect the closing price on the active market in which the securities are traded and are classified as Level 1. Securities of U.S. agencies are valued using bid evaluations and a classified as Level 2. Corporate fixed income securities are valued using evaluated prices, such as dealer quotes, bids and offers and are therefore classified as Level 2.

Insurance contracts Insurance contracts are investments with various insurance companies. The contract value represents the best estimate of fair value. These contracts do not hold any specific assets. These investments are classified as Level 3.

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Notes to Consolidated Financial Statements *(Continued)*

Real estate collective funds These funds are valued at the estimated fair value of the underlying properties. Estimated fair value is calculated using a combination of key inputs, such as revenue and expense growth rates, terminal capitalization rates and discount rates. These investments are classified as Level 3.

Pooled investment funds These are public investment vehicles valued using the net asset value. The net asset value is based on the value of the assets owned by the plan, less liabilities. These investments are not quoted on an active exchange and are classified as Level 2.
The following tables present an analysis of changes during the years ended October 31, 2014 and 2013 in Level 3 plan assets, by plan asset class, for U.S. and International pension plans using significant unobservable inputs to measure fair value:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Real estate collective funds	Insurance contracts	Total
Beginning balance at October 31, 2013	**$ 14,958**	**$ 22,093**	**$ 37,051**
Actual return on plan assets:			
Assets held, end of year	**1,667**	**771**	**2,438**
Assets sold during the period	**25**		**25**
Purchases		**2,816**	**2,816**
Sales	**(155)**	**(1,529)**	**(1,684)**
Foreign currency translation		**(977)**	**(977)**
Ending balance at October 31, 2014	**$ 16,495**	**$ 23,174**	**$ 39,669**

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Real estate collective funds	Insurance contracts	Total
Beginning balance at October 31, 2012	$ 13,110	$ 19,046	$ 32,156
Actual return on plan assets:			
Assets held, end of year	1,970	1,025	2,995
Assets sold during the period	13		13
Purchases		4,242	4,242
Sales	(135)	(2,093)	(2,228)
Foreign currency translation		(127)	(127)
Ending balance at October 31, 2013	$ 14,958	$ 22,093	$ 37,051

Contributions to pension plans in 2015 are estimated to be approximately $26,000.

Retiree pension benefit payments, which reflect expected future service, are anticipated to be paid as follows:

Year	United States	International
2015	$ 10,922	$ 4,833
2016	11,637	2,300

2017	12,721	2,166
2018	13,661	2,984
2019	14,853	5,014
2020-2024	92,418	17,392

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Notes to Consolidated Financial Statements *(Continued)*

Other postretirement plans We have an unfunded postretirement benefit plan covering certain of our United States employees. Employees hired after January 1, 2002, are not eligible to participate in this plan. The plan provides medical and life insurance benefits. The plan is contributory, with retiree contributions in the form of premiums that are adjusted annually, and contains other cost-sharing features, such as deductibles and coinsurance. We also sponsor an unfunded, non-contributory postretirement benefit plan that provides medical and life insurance benefits for certain international employees.

A reconciliation of the benefit obligations, accrued benefit cost and the amount recognized in financial statements for other postretirement plans is as follows:

	United States		International	
	2014	**2013**	**2014**	**2013**
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 61,004**	$ 71,228	**$ 768**	$ 851
Service cost	**1,037**	1,145	**28**	35
Interest cost	**3,062**	2,598	**38**	38
Participant contributions	**431**	600		
Foreign currency exchange rate change			**(63)**	(34)
Actuarial (gain) loss	**6,015**	(11,619)	**130**	(118)
Benefits paid	**(2,070)**	(2,948)	**(4)**	(4)
Benefit obligation at end of year	**$ 69,479**	$ 61,004	**$ 897**	$ 768
Change in plan assets:				
Beginning fair value of plan assets	**$**	$	**$**	$
Company contributions	**1,639**	2,348	**4**	4
Participant contributions	**431**	600		
Benefits paid	**(2,070)**	(2,948)	**(4)**	(4)
Ending fair value of plan assets	**$**	$	**$**	$
Funded status at end of year	**$ (69,479)**	$ (61,004)	**$ (897)**	$ (768)
Amounts recognized in financial statements:				
Accrued benefit liability	**$ (2,069)**	$ (1,974)	**$ (7)**	$ (4)
Long-term postretirement obligations	**(67,410)**	(59,030)	**(890)**	(764)
Total amount recognized in financial statements	**$ (69,479)**	$ (61,004)	**$ (897)**	$ (768)

	United States		International	
	2014	**2013**	**2014**	**2013**
Amounts recognized in accumulated other comprehensive (gain) loss:				
Net actuarial (gain) loss	**$ 22,434**	$ 17,854	**$ (86)**	$ (243)
Prior service cost (credit)	**(1,012)**	(1,461)		
Accumulated other comprehensive (gain) loss	**$ 21,422**	$ 16,393	**$ (86)**	$ (243)

Amounts expected to be recognized during next fiscal year:				
Amortization of net actuarial (gain) loss	**$ 1,187**	$ 1,139	**$**	$ (14)
Amortization of prior service cost (credit)	**(438)**	(449)		
Total	**$ 749**	$ 690	**$**	$ (14)

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Notes to Consolidated Financial Statements *(Continued)*

The following table summarizes the changes in accumulated other comprehensive (gain) loss:

	United States		International	
	2014	**2013**	**2014**	**2013**
Balance at beginning of year	**$ 16,393**	$ 29,651	**$ (243)**	$ (138)
Net (gain) loss arising during the year	**6,015**	(11,619)	**130**	(117)
Net gain (loss) recognized during the year	**(1,435)**	(2,112)	**13**	4
Prior service credit (cost) recognized during the year	**449**	473		
Exchange rate effect during the year			**14**	8
Balance at end of year	**$ 21,422**	$ 16,393	**$ (86)**	$ (243)

Net postretirement benefit costs include the following components:

	United States			International		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Service cost	**$ 1,037**	$ 1,145	$ 1,183	**$ 28**	$ 35	$ 28
Interest cost	**3,062**	2,598	2,759	**38**	38	41
Amortization of prior service cost (credit)	**(449)**	(473)	(584)			
Amortization of net actuarial (gain) loss	**1,435**	2,112	1,789	**(13)**	(4)	(14)
Total benefit cost	**$ 5,085**	$ 5,382	$ 5,147	**$ 53**	$ 69	$ 55

The weighted average assumptions used in the valuation of postretirement benefits were as follows:

	United States			International		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Assumptions used to determine benefit obligations at October 31:						
Discount rate	**4.40%**	4.80%	3.85%	**4.25%**	4.95%	4.40%
Health care cost trend rate	**3.93**	4.12	4.90	**6.48**	6.65	6.83
Rate to which health care cost trend rate is assumed to decline (ultimate trend rate)	**3.41**	3.47	3.60	**3.50**	3.50	3.50
Year the rate reaches the ultimate trend rate	**2024**	2021	2017	**2031**	2031	2031
Assumption used to determine net benefit costs for the years ended October 31:						
Discount rate	**4.80 %**	3.85 %	4.50 %	**4.95 %**	4.40 %	5.85 %

The decrease in the weighted-average United States health care cost trend rate beginning in 2013 relates to a change in the plan design of the retiree medical plan effective January 1, 2013 moving to a Health Reimbursement Arrangement for post-65 coverage.

The measurement of domestic other post employment benefit (OPEB) plan s projected benefit obligation included the effect of adopting the Society of Actuaries release of final RP2014 / MP2014 mortality tables. The adoption of these new tables resulted in an increase of $4,878 to our domestic OPEB plan s projected benefit obligation.

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Notes to Consolidated Financial Statements *(Continued)*

The discount rate and the health care cost trend rate assumptions have a significant effect on the amounts reported. For example, a one-percentage point change in the discount rate and the assumed health care cost trend rate would have the following effects. Bracketed numbers represent decreases in expense and obligation amounts.

	United States		International	
	1% Point Increase	1% Point Decrease	1% Point Increase	1% Point Decrease
Discount rate:				
Effect on total service and interest cost components in 2014	$ (770)	$ 938	$ (7)	$ 6
Effect on postretirement obligation as of October 31, 2014	$ (9,992)	$ 12,790	$ (173)	$ 229
Health care trend rate:				
Effect on total service and interest cost components in 2014	$ 589	$ (479)	$ 14	$ (14)
Effect on postretirement obligation as of October 31, 2014	$ 11,302	$ (9,001)	$ 174	$ (208)

Contributions to postretirement plans in 2015 are estimated to be approximately $2,100.

Retiree postretirement benefit payments are anticipated to be paid as follows:

Year	United States	International
2015	$ 2,069	$ 7
2016	2,242	8
2017	2,420	9
2018	2,614	12
2019	2,743	13
2020-2024	16,609	107

Note 7 Income taxes

Income tax expense includes the following:

	2014	2013	2012
Current:			
U.S. federal	**$ 52,985**	$ 45,004	$ 51,458
State and local	**1,900**	2,351	1,378
Foreign	**47,366**	36,829	38,760
Total current	**102,251**	84,184	91,596
Deferred:			
U.S. federal	**8,695**	8,361	7,204
State and local	**(1,635)**	(991)	782
Foreign	**(3,571)**	(2,248)	1,842
Total deferred	**3,489**	5,122	9,828
	$ 105,740	$ 89,306	$ 101,424

Earnings before income taxes of domestic operations, which are calculated after intercompany profit eliminations, were $184,894, $164,702 and $177,035 in 2014, 2013 and 2012, respectively.

Income tax expense in 2013 included a benefit of $900 for the reduction of unrecognized tax benefits primarily related to expiration of certain foreign statutes of limitations. On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retroactively reinstated and extended the Federal Research and Development Tax

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Notes to Consolidated Financial Statements *(Continued)*

Credit (Federal R&D Tax Credit) from January 1, 2012 to December 31, 2013 and extended certain other tax provisions. As a result, our income tax provision for 2013 included a discrete tax benefit of $1,700 related to 2012.

Income tax expense in 2012 included a benefit of $2,717 related to the utilization of loss carryforwards and to the release of the valuation allowance related to loss carryforwards which are expected to be utilized in future years.

A reconciliation of the U.S. statutory federal rate to the worldwide consolidated effective tax rate follows:

	2014	2013	2012
Statutory federal income tax rate	**35.00%**	35.00%	35.00%
Domestic Production Deduction	**(1.74)**	(1.71)	(1.82)
Foreign tax rate variances, net of foreign tax credits	**(3.42)**	(3.39)	(2.31)
State and local taxes, net of federal income tax benefit	**0.05**	0.28	0.43
Amounts related to prior years	**(0.24)**	(1.00)	(0.31)
Other net	**0.35**	(0.48)	0.10
Effective tax rate	**30.00%**	28.70%	31.09%

The Domestic Production Deduction, enacted by the American Jobs Creation Act of 2004, allows a deduction with respect to income from certain United States manufacturing activities.

Earnings before income taxes of international operations, which are calculated before intercompany profit elimination entries, were $167,619, $146,421 and $149,218 in 2014, 2013 and 2012, respectively. Deferred income taxes are not provided on undistributed earnings of international subsidiaries that are intended to be permanently invested in their operations. These undistributed earnings aggregated approximately $622,914 and $510,842 at October 31, 2014 and 2013, respectively. Should these earnings be distributed, applicable foreign tax credits would substantially offset taxes due upon the distribution. It is not practical to estimate the amount of additional taxes that might be payable on such undistributed earnings.

At October 31, 2014 and 2013, total unrecognized tax benefits were $5,812 and $5,717, respectively. The amounts that, if recognized, would impact the effective tax rate were $5,175 and $5,178 at October 31, 2014 and 2013, respectively. The increase in unrecognized tax benefits in 2013 as compared to prior year relates primarily to foreign positions and, if recognized, a substantial portion of the gross unrecognized tax benefits would be offset against assets currently recorded in the Consolidated Balance Sheet. A reconciliation of the beginning and ending amount of unrecognized tax benefits for 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Balance at beginning of year	**$ 5,717**	$ 3,140	$ 2,576
Additions based on tax positions related to the current year	**196**	703	148
Additions for tax positions of prior years	**319**	3,261	896
Reductions for tax positions of prior years		(317)	
Settlements	**(110)**		
Lapse of statute of limitations	**(310)**	(1,070)	(480)
Balance at end of year	**$ 5,812**	$ 5,717	$ 3,140

At October 31, 2014 and 2013, we had accrued interest and penalty expense related to unrecognized tax benefits of $2,025 and $1,085, respectively. We include interest accrued related to unrecognized tax benefits in interest expense. Penalties, if incurred, would be recognized as other income (expense).

We are subject to United States Federal income tax as well as income taxes in numerous state and foreign jurisdictions. We are subject to examination in the U.S. by the Internal Revenue Service (IRS) for the 2012, 2013 and 2014 tax years; tax years prior to the 2012 year are closed to further examination by the IRS. Generally, major state and foreign jurisdiction tax years remain open to examination for tax years after 2008. Within the

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Notes to Consolidated Financial Statements (Continued)

next twelve months, it is reasonably possible that certain statute of limitations periods would expire, which could result in a minimal decrease in our unrecognized tax benefits.

Significant components of deferred tax assets and liabilities are as follows:

	2014	2013
Deferred tax assets:		
Employee benefits	**$ 79,669**	$ 66,148
Other accruals not currently deductible for taxes	**17,379**	16,984
Tax credit and loss carryforwards	**16,531**	13,077
Inventory adjustments	**5,276**	4,998
Translation of foreign currency accounts	**154**	384
Total deferred tax assets	**119,009**	101,591
Valuation allowance	**(7,672)**	(5,663)
Total deferred tax assets	**111,337**	95,928
Deferred tax liabilities:		
Depreciation and amortization	**163,107**	146,500
Other net		51
Total deferred tax liabilities	**163,107**	146,551
Net deferred tax liabilities	**$ (51,770)**	$ (50,623)

At October 31, 2014, we had $4,161 of tax credit carryforwards of which $161 will expire in 2015 through 2017, and $4,000 of which has an indefinite carryforward period. We also had $19,535 Federal, $50,343 state and $13,213 foreign operating loss carryforwards, of which $70,084 will expire in 2015 through 2033, and $13,007 of which has an indefinite carryforward period. The net change in the valuation allowance was an increase of $2,009 in 2014 and an increase of $617 in 2013. The valuation allowance of $7,672 at October 31, 2014, related primarily to tax credits and loss carryforwards that may expire before being realized. We continue to assess the need for valuation allowances against deferred tax assets based on determinations of whether it is more likely than not that deferred tax benefits will be realized.

Note 8 Notes payable

Bank lines of credit and notes payable are summarized as follows:

	2014	2013
Maximum borrowings under bank lines of credit:		
Domestic banks	**$ 100,000**	$
Foreign banks	**48,619**	83,191
Total	**$ 148,619**	$ 83,191
Outstanding notes payable:		
Domestic bank debt	**$ 100,000**	$
Foreign bank debt	**6,181**	3,604

Total	**$ 106,181**	$ 3,604
Weighted-average interest rate on notes payable	**1.0%**	2.0%
Unused bank lines of credit	**$ 42,438**	$ 79,587

In 2014, we entered into a 364-day, $100,000 unsecured credit facility with PNC Bank. We borrowed $100,000 under this facility to partially fund the Avalon acquisition.

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Note 9 Long-term debt

A summary of long-term debt is as follows:

	2014	2013
Revolving credit agreement, due 2017	**$ 375,242**	$ 254,000
Senior notes, due 2017-2025	**200,000**	200,000
Euro loan, due 2016	**63,244**	129,058
Private shelf facility, due 2012-2020	**53,333**	63,889
Development loans, due 2011-2026	**1,586**	1,702
Other	**214**	341
	693,619	648,990
Less current maturities	**10,751**	10,832
Long-term maturities	**$ 682,868**	$ 638,158

Revolving credit agreement This $500,000 unsecured multi-currency revolving credit agreement is with a group of banks and expires in December 2016. Payment of quarterly commitment fees is required. The weighted average interest rate for borrowings under this agreement was 1.08 percent at October 31, 2014.

Senior notes, due 2017-2025 These fixed-rate notes entered into in 2012 with a group of insurance companies had an original weighted-average life of 8.78 years at the time of issuance. The weighted-average interest rate at October 31, 2014 was 2.93 percent.

Euro loan, due 2016 This loan was entered into in 2013 with The Bank of Tokyo-Mitsubishi UFJ, Ltd. It can be extended by one year at the end of the third and fourth anniversaries. The interest rate is variable based upon the EUR LIBOR rate. The weighted average interest rate at October 31, 2014 was 0.95 percent.

Private shelf facility In 2011, we entered into a $150,000 three-year Private Shelf Note agreement with New York Life Investment Management LLC (NYLIM). The amount of the facility was increased to $175,000 in 2013. Borrowings under the agreement may be up to 12 years, with an average life of up to 10 years, and are unsecured. The interest rate on each borrowing can be fixed or floating and is based upon the market rate at the borrowing date. At October 31, 2014, the amount outstanding under this facility was at a fixed rate of 2.21 percent.

Development loans, due 2011-2026 These fixed-rate loans with the State of Ohio and Cuyahoga County, Ohio were issued in 2011 in connection with the construction of our corporate headquarters building and are payable in monthly installments over 15 years beginning in 2011. The interest rate on the State of Ohio loan is 3.00 percent, and the interest rate on the Cuyahoga County loan is 3.50 percent.

Annual maturities The annual maturities of long-term debt for the five years subsequent to October 31, 2014, are as follows: $10,751 in 2015; $74,041 in 2016; and $413,343 in 2017; $26,587 in 2018 and $21,591 in 2019.

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Note 10 Leases

We have lease commitments expiring at various dates, principally for manufacturing, warehouse and office space, automobiles and office equipment. Many leases contain renewal options and some contain purchase options and residual guarantees.

Rent expense for all operating leases was approximately $15,135, $14,835 and $13,822 in 2014, 2013 and 2012, respectively.

Amortization of assets recorded under capital leases is recorded in depreciation expense.

Assets held under capitalized leases and included in property, plant and equipment are as follows:

	2014	2013
Transportation equipment	**$ 15,524**	$ 16,261
Other	**12,191**	10,577
Total capitalized leases	**27,715**	26,838
Accumulated amortization	**(11,139)**	(10,805)
Net capitalized leases	**$ 16,576**	$ 16,033

At October 31, 2014, future minimum lease payments under non-cancelable capitalized and operating leases are as follows:

	Capitalized Leases	Operating Leases
Year:		
2015	$ 6,866	$ 12,189
2016	4,957	7,192
2017	2,340	5,808
2018	993	4,179
2019	635	3,773
Later years	6,476	10,410
Total minimum lease payments	22,267	$ 43,551
Less amount representing executory costs	1,993	
Net minimum lease payments	20,274	
Less amount representing interest	4,148	
Present value of net minimum lease payments	16,126	
Less current portion	5,108	
Long-term obligations at October 31, 2014	$ 11,018	

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Notes to Consolidated Financial Statements (Continued)

Note 11 Fair value measurements

The inputs to the valuation techniques used to measure fair value are classified into the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents the classification of our assets and liabilities measured at fair value on a recurring basis at October 31, 2014:

	Total	Level 1	Level 2	Level 3
Assets:				
Foreign currency forward contracts[a]	$ 9,934	$	$ 9,934	$
Total assets at fair value	$ 9,934	$	$ 9,934	$
Liabilities:				
Deferred compensation plans[b]	$ 8,884	$ 8,884	$	$
Foreign currency forward contracts[a]	8,424		8,424	
Total liabilities at fair value	$ 17,308	$ 8,884	$ 8,424	$

(a) We enter into foreign currency forward contracts to reduce the risk of foreign currency exposures resulting from receivables, payables, intercompany receivables, intercompany payables and loans denominated in foreign currencies. Foreign exchange contracts are valued using market exchange rates. These foreign exchange contracts are not designated as hedges.

(b) Executive officers and other highly compensated employees may defer up to 100 percent of their salary and annual cash incentive compensation and for executive officers, up to 90 percent of their long-term incentive compensation, into various non-qualified deferred compensation plans. Deferrals can be allocated to various market performance measurement funds. Changes in the value of compensation deferred under these plans are recognized each period based on the fair value of the underlying measurement funds.

Fair value disclosures related to goodwill and indefinite-lived intangible assets are disclosed in Note 5.

Note 12 Financial instruments

We operate internationally and enter into intercompany transactions denominated in foreign currencies. Consequently, we are subject to market risk arising from exchange rate movements between the dates foreign currency transactions occur and the dates they are settled. We regularly use foreign currency forward contracts to reduce our risks related to most of these transactions. These contracts usually have maturities of 90 days or less and generally require us to exchange foreign currencies for U.S. dollars at maturity, at rates stated in the contracts. These contracts are not designated as hedging instruments under U.S. GAAP. Accordingly, the changes in the fair value of the foreign currency forward contracts are recognized in each accounting period in other net on the Consolidated Statement of Income together with the transaction gain or loss from the related balance sheet position. In 2014, we recognized net losses of $826 on foreign currency forward contracts and net gains of $348 from the change in fair value of balance sheet positions. In 2013, we recognized net gains of $1,437 on foreign currency forward contracts and net losses of $3,651 from the change in fair value of balance sheet positions. In 2012, we recognized net gains of $294 on foreign currency

forward contracts and net losses of $1,310 from the change in fair value of balance sheet positions.

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The following table summarizes, by currency, the contracts outstanding at October 31, 2014 and 2013:

	Sell		Buy	
	Notional Amounts	Fair Market Value	Notional Amounts	Fair Market Value
October 31, 2014 contract amounts:				
Euro	**$ 424,624**	**$ 407,422**	**$ 344,461**	**$ 330,957**
Pound sterling	**86,654**	**85,632**	**141,638**	**140,065**
Japanese yen	**21,057**	**19,780**	**17,477**	**16,498**
Australian dollar	**216**	**220**	**9,012**	**8,618**
Hong Kong dollar	**52,278**	**52,247**	**117,040**	**116,978**
Singapore dollar			**10,984**	**10,693**
Others	**2,627**	**2,573**	**28,409**	**27,236**
Total	**$ 587,456**	**$ 567,874**	**$ 669,021**	**$ 651,045**
October 31, 2013 contract amounts:				
Euro	$ 194,531	$ 194,187	$ 131,198	$ 131,825
Pound sterling	17,854	17,856	29,441	29,950
Japanese yen	11,426	11,404	8,686	8,672
Australian dollar	894	899	8,653	8,986
Hong Kong dollar	1,935	1,935	42,140	42,132
Singapore dollar	201	201	9,815	10,065
Others	5,768	5,745	24,227	24,503
Total	$ 232,609	$ 232,227	$ 254,160	$ 256,133

We also use intercompany foreign currency transactions of a long-term investment nature to hedge the value of investment in wholly-owned subsidiaries. For hedges of the net investment in foreign operations, realized and unrealized gains and losses are shown in the cumulative translation adjustment account included in total comprehensive income. For 2014 and 2013, net gains of $318 and $699, respectively, were included in the cumulative translation adjustment account related to foreign denominated fixed-rate debt designated as a hedge of net investment in foreign operations.

We are exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments. These financial instruments include cash deposits and foreign currency forward contracts. We periodically monitor the credit ratings of these counterparties in order to minimize our exposure. Our customers represent a wide variety of industries and geographic regions. As of October 31, 2014, there were no significant concentrations of credit risk.

The carrying amounts and fair values of financial instruments, other than receivables and accounts payable, are shown in the table below. The carrying values of receivables and accounts payable approximate fair value due to the short-term nature of these instruments.

	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	**$ 42,314**	**$ 42,314**	$ 42,375	$ 42,375
Notes payable	**106,181**	**106,181**	3,604	3,604
Long-term debt (including current portion)	**693,619**	**696,140**	648,990	636,904

Foreign currency forward contracts (net)	**1,510**	**1,510**	2,313	2,313

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We used the following methods and assumptions in estimating the fair value of financial instruments:

Cash, cash equivalents and notes payable are valued at their carrying amounts due to the relatively short period to maturity of the instruments.

Long-term debt is valued by discounting future cash flows at currently available rates for borrowing arrangements with similar terms and conditions, which are considered to be Level 2 inputs under the fair value hierarchy.

Foreign currency forward contracts are estimated using quoted exchange rates, which are considered to be Level 2 inputs under the fair value hierarchy.

Note 13 Capital shares

Preferred We have authorized 10,000 Series A convertible preferred shares without par value. No preferred shares were outstanding in 2014, 2013 or 2012.

Common We have 160,000 authorized common shares without par value. At October 31, 2014 and 2013, there were 98,023 common shares issued. At October 31, 2014 and 2013, the number of outstanding common shares, net of treasury shares, was 62,435 and 64,218, respectively.

Common shares repurchased as part of publicly announced programs during 2014, 2013 and 2012 were as follows:

Year	Number of Shares	Total Amount	Average per Share
2014	**2,224**	**$ 163,584**	**$ 73.55**
2013	459	$ 30,443	$ 66.29
2012	1,831	$ 86,022	$ 46.98

Note 14 Stock-based compensation

During the 2013 Annual Meeting of Shareholders, our shareholders approved the 2012 Stock Incentive and Award Plan (the 2012 Plan). The 2012 Plan provides for the granting of stock options, stock appreciation rights, restricted stock, performance shares, stock purchase rights, stock equivalent units, cash awards and other stock or performance-based incentives. A maximum of 2,900 common shares is available for grant under the Plan.

Stock options Nonqualified or incentive stock options may be granted to our employees and directors. Generally, options granted to employees may be exercised beginning one year from the date of grant at a rate not exceeding 25 percent per year and expire 10 years from the date of grant. Vesting accelerates upon the occurrence of events that involve or may result in a change of control. For grants made prior to November 2012, vesting ceases upon retirement, death and disability, and unvested shares are forfeited. For grants made in or after November 2012, in the event of termination of employment due to early retirement or normal retirement at age 65, options granted within 12 months prior to termination are forfeited, and vesting continues post retirement for all other unvested options granted. In the event of disability or death, all unvested stock options fully vest. Termination for any other reason results in forfeiture of unvested options and vested options in certain circumstances. The amortized cost of options is accelerated if the retirement eligibility date occurs before the normal vesting date. Option exercises are satisfied through the issuance of treasury shares on a first-in, first-out basis. We recognized compensation expense related to stock options of $10,251, $4,906 and $3,789 for 2014, 2013 and 2012, respectively. The increase in the 2014 expense was primarily related to accelerated amortization of the cost of options.

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Notes to Consolidated Financial Statements *(Continued)*

The following table summarizes activity related to stock options during 2014:

	Number of Options	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value	Weighted-Average Remaining Term
Outstanding at October 31, 2013	1,749	$ 34.63		
Granted	277	$ 71.75		
Exercised	(314)	$ 22.35		
Forfeited or expired	(26)	$ 51.57		
Outstanding at October 31, 2014	1,686	$ 42.77	$ 56,957	6.0 years
Vested at October 31, 2014 or expected to vest	1,673	$ 42.58	$ 56,841	6.0 years
Exercisable at October 31, 2014	955	$ 30.86	$ 43,626	4.6 years

Summarized information on currently outstanding options follows:

	Range of Exercise Price		
	$14 $28	$29 $44	$45 $73
Number outstanding	610	543	533
Weighted-average remaining contractual life, in years	3.5	6.4	8.6
Weighted-average exercise price	$ 22.54	$ 41.90	$ 66.78
Number exercisable	578	318	59
Weighted-average exercise price	$ 22.28	$ 40.71	$ 61.62

As of October 31, 2014, there was $6,741 of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be amortized over a weighted average period of approximately 1.4 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2014	2013	2012
Expected volatility	**40.1%-44.7%**	45.3%-46.9%	45.4%-46.9%
Expected dividend yield	**0.98%-1.03%**	0.97%-1.01%	1.20%
Risk-free interest rate	**1.51%-1.79%**	0.75%-0.90%	1.03%-1.23%
Expected life of the option (in years)	**5.4-6.1**	5.4-6.1	5.4-6.1

The weighted-average expected volatility used to value options granted in 2014, 2013 and 2012 was 44.5 percent, 46.3 percent and 46.2 percent, respectively.

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Historical information was the primary basis for the selection of the expected volatility, expected dividend yield and the expected lives of the options. The risk-free interest rate was selected based upon yields of United States Treasury issues with terms equal to the expected life of the option being valued.

The weighted average grant date fair value of stock options granted during 2014, 2013 and 2012 was $27.92, $24.12 and $17.03, respectively.

The total intrinsic value of options exercised during 2014, 2013 and 2012 was $17,223, $12,892 and $13,329, respectively.

Cash received from the exercise of stock options for 2014, 2013 and 2012 was $7,013, $6,018 and $4,934, respectively. The tax benefit realized from tax deductions from exercises for 2014, 2013 and 2012 was $6,385, $5,531 and $4,792, respectively.

Restricted shares and restricted share units We may grant restricted shares and/or restricted share units to our employees and directors. These shares or units may not be transferred for a designated period of time (generally one to three years) defined at the date of grant.

For employee recipients, in the event of termination of employment due to early retirement, restricted shares granted within 12 months prior to termination are forfeited, and other restricted shares vest on a pro-rata basis. In the event of termination of employment due to retirement at normal retirement age, restricted shares granted within 12 months prior to termination are forfeited, and, for other restricted shares, the restriction period will terminate and the shares will vest and be transferable. Restrictions lapse in the event of a recipient s disability or death. Termination for any other reason prior to the lapse of any restrictions results in forfeiture of the shares.

For non-employee directors, all restrictions lapse in the event of disability or death of the non-employee director. Termination of service as a director for any other reason within one year of date of grant results in a pro-rata vesting of shares or units.

As shares or units are issued, deferred stock-based compensation equivalent to the fair market value on the date of grant is expensed over the vesting period. Tax benefits arising from the lapse of restrictions are recognized when realized and credited to capital in excess of stated value.

The following table summarizes activity related to restricted shares during 2014:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Restricted at October 31, 2013	82	$ 52.67
Granted	28	$ 73.56
Vested	(39)	$ 48.13
Restricted at October 31, 2014	71	$ 63.53

As of October 31, 2014, there was $2,074 of unrecognized compensation cost related to restricted shares. The cost is expected to be amortized over a weighted average period of 1.7 years. The amount charged to expense related to restricted shares was $1,784, $2,464 and $1,724 in 2014, 2013 and 2012, respectively. These amounts included common share dividends $52, 57, and $53 in 2014, 2013 and 2012, respectively.

The following table summarizes activity related to restricted share units in 2014:

	Number of Units	Weighted-Average Grant Date Fair Value

Restricted share units at October 31, 2013	12	$	51.79
Granted	12	$	71.82
Vested	(19)	$	62.07
Restricted share units at October 31, 2014	5	$	61.59

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As of October 31, 2014, there was no remaining expense to be recognized related to outstanding restricted share units. The amount charged to expense related to restricted share units during 2014, 2013 and 2012 was $890, $598 and $370, respectively.

Deferred directors compensation Non-employee directors may defer all or part of their cash and equity-based compensation until retirement. Cash compensation may be deferred as cash or as share equivalent units. Deferred cash amounts are recorded as liabilities, and share equivalent units are recorded as equity. Additional share equivalent units are earned when common share dividends are declared.

The following table summarizes activity related to director deferred compensation share equivalent units during 2014:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at October 31, 2013	148	$ 23.22
Restricted stock units vested	13	$ 57.43
Dividend equivalents	1	$ 76.49
Distributions	(52)	$ 19.20
Outstanding at October 31, 2014	110	$ 29.74

The amount charged to expense related to director deferred compensation was $101, $183 and $265 in 2014, 2013 and 2012, respectively.

Performance share incentive awards Executive officers and selected other key employees are eligible to receive common share-based incentive awards. Payouts, in the form of unrestricted common shares, vary based on the degree to which corporate financial performance exceeds predetermined threshold, target and maximum performance levels over three-year performance periods. No payout will occur unless certain threshold performance measures are exceeded.

The amount of compensation expense is based upon current performance projections for each three-year period and the percentage of the requisite service that has been rendered. The calculations are also based upon the grant date fair value determined using the closing market price of our common shares at the grant date, reduced by the implied value of dividends not to be paid. This value was $69.25 per share for 2014, $59.59 per share for 2013 and $42.12 per share for 2012. The amounts charged to expense for executive officers and selected other key employees in 2014, 2013 and 2012 were $4,304, $3,588 and $4,235, respectively. The cumulative amount recorded in shareholders equity at October 31, 2014, and 2013 was $7,570 and $8,083, respectively.

Deferred compensation Our executive officers and other highly compensated employees may elect to defer up to 100 percent of their base pay and cash incentive compensation and, for executive officers, up to 90 percent of their performance share-based incentive payout each year. Additional share units are credited for quarterly dividends paid on our common shares. Expense related to dividends paid under this plan was $129, $79 and $35 for 2014, 2013 and 2012, respectively.

Shares reserved for future issuance At October 31, 2014, there were 2,430 of common shares reserved for future issuance through the exercise of outstanding options or rights.

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Note 15 Operating segments and geographic area data

We conduct business in three primary operating segments: Adhesive Dispensing Systems, Advanced Technology Systems, and Industrial Coating Systems. The composition of segments and measure of segment profitability is consistent with that used by our chief operating decision maker. The primary measure used by the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing performance is operating profit, which equals sales less cost of sales and certain operating expenses. Items below the operating profit line of the Consolidated Statement of Income (interest and investment income, interest expense and other income/expense) are excluded from the measure of segment profitability reviewed by our chief operating decision maker and are not presented by operating segment. The accounting policies of the segments are generally the same as those described in Note 1, Significant Accounting Policies.

No single customer accounted for 10 percent or more of sales in 2014, 2013 or 2012.

The following table presents information about our reportable segments:

	Adhesive Dispensing Systems	Advanced Technology Systems	Industrial Coating Systems	Corporate	Total
Year ended October 31, 2014					
Net external sales	**$ 899,696**	**$ 561,784**	**$ 242,541**	**$**	**$ 1,704,021**
Depreciation	**15,467**	**10,433**	**3,368**	**5,178**	**34,446**
Operating profit (loss)	**229,556[a]**	**140,240[b]**	**38,117[e]**	**(40,808)**	**367,105**
Identifiable assets[c]	**747,063**	**919,052**	**130,624**	**495,676[d]**	**2,292,415**
Expenditures for long-lived assets	**15,886**	**15,163**	**4,057**	**8,468**	**43,574**
Year ended October 31, 2013					
Net external sales	$ 793,488	$ 516,266	$ 233,167	$	$ 1,542,921
Depreciation	15,326	9,180	3,084	4,176	31,766
Operating profit (loss)	203,757[a]	123,403[b]	33,786	(37,097)	323,849
Identifiable assets[c]	750,616	721,524	113,835	467,809[d]	2,053,784
Expenditures for long-lived assets	20,498	10,080	6,239	10,402	47,219
Year ended October 31, 2012					
Net external sales	$ 684,096	$ 515,992	$ 209,490	$	$ 1,409,578
Depreciation	9,540	8,711	2,704	3,514	24,469
Operating profit (loss)	211,072[a]	134,074	25,933[e]	(35,599)	335,480
Identifiable assets[c]	611,357	718,354	110,982	395,331[d]	1,836,024
Expenditures for long-lived assets	14,612	6,871	4,602	4,874	30,959

(a) Includes $1,731 and $315 of severance and restructuring costs in 2014 and 2013, respectively. Includes $3,862 of cost of goods sold restructuring and severance and restructuring costs in 2012.

(b) Includes $579 and $811 of severance and restructuring costs 2014 and 2013, respectively.

(c) Operating segment identifiable assets include notes and accounts receivable net of customer advance payments and allowance for doubtful accounts, inventories net of reserves, property, plant and equipment net of accumulated depreciation and goodwill.

(d)

Corporate assets are principally cash and cash equivalents, deferred income taxes, capital leases, headquarter facilities, the major portion of our enterprise management system, and intangible assets.

(e) Includes $241 and $690 of severance and restructuring costs in 2014 and 2012, respectively.

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We have significant sales and long-lived assets in the following geographic areas:

	2014	2013	2012
Net external sales			
United States	**$ 503,776**	$ 465,789	$ 388,904
Americas	**120,993**	123,654	109,074
Europe	**494,538**	416,725	381,005
Japan	**127,057**	127,945	127,509
Asia Pacific	**457,657**	408,808	403,086
Total net external sales	**$ 1,704,021**	$ 1,542,921	$ 1,409,578
Long-lived assets			
United States	**$ 159,946**	$ 136,551	$ 127,486
Americas	**2,451**	4,154	3,180
Europe	**21,039**	22,576	14,896
Japan	**5,967**	4,384	3,431
Asia Pacific	**35,036**	33,314	25,938
Total long-lived assets	**$ 224,439**	$ 200,979	$ 174,931

A reconciliation of total segment operating income to total consolidated income before income taxes is as follows:

	2014	2013	2012
Total profit for reportable segments	**$ 367,105**	$ 323,849	$ 335,480
Interest expense	**(15,035)**	(14,841)	(11,153)
Interest and investment income	**581**	421	463
Other-net	**(138)**	1,694	1,463
Income before income taxes	**$ 352,513**	$ 311,123	$ 326,253

A reconciliation of total assets for reportable segments to total consolidated assets is as follows:

	2014	2013	2012
Total assets for reportable segments	**$ 2,292,415**	$ 2,053,784	$ 1,836,024
Customer advance payments	**25,578**	28,341	20,894
Eliminations	**(37,863)**	(28,946)	(27,403)
Total consolidated assets	**$ 2,280,130**	$ 2,053,179	$ 1,829,515

Note 16 Supplemental information for the statement of cash flows

	2014	**2013**	**2012**
Cash operating activities:			
Interest paid	**$ 14,115**	$ 16,037	$ 9,285
Income taxes paid	**87,797**	93,074	70,935
Non-cash investing and financing activities:			
Capitalized lease obligations incurred	**$ 8,584**	$ 6,441	$ 12,981
Capitalized lease obligations terminated	**864**	468	894
Shares acquired and issued through exercise of stock options		148	2,323

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Notes to Consolidated Financial Statements *(Continued)*

Note 17 Quarterly financial data (unaudited)

	First	Second	Third	Fourth
2014:				
Sales	**$ 359,420**	**$ 417,461**	**$ 458,550**	**$ 468,590**
Gross margin	**194,782**	**235,552**	**257,511**	**257,253**
Net income	**34,880**	**61,934**	**77,879**	**72,080**
Earnings per share:				
Basic	**0.54**	**0.97**	**1.23**	**1.14**
Diluted	**0.54**	**0.96**	**1.21**	**1.13**
2013:				
Sales	$ 347,043	$ 382,100	$ 402,960	$ 410,818
Gross margin	197,229	216,938	225,083	226,894
Net income	42,011	54,605	65,424	59,777
Earnings per share:				
Basic	0.65	0.85	1.02	0.93
Diluted	0.65	0.84	1.01	0.92

The sum of the per-share amounts for the four quarters may not always equal the annual per-share amounts due to differences in the average number of shares outstanding during the respective periods.

During the fourth quarter of 2014, we recorded pre-tax severance costs of $1,273. Additionally, we recorded a pre-tax gain of $1,005 related to a property insurance settlement.

During the second quarter of 2014, we recorded pre-tax severance costs of $1,278.

During the third quarter of 2013, we recorded a pre-tax gain of $2,116 on the sale of real estate in China.

During the first quarter of 2013, we recorded a favorable adjustment to unrecognized tax benefits of $900 primarily related to expiration of certain foreign statutes of limitations. On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retroactively reinstated and extended the Federal Research and Development Tax Credit (Federal R&D Tax Credit) from January 1, 2012 to December 31, 2013 and extended certain other tax provisions. As a result, our income tax provision for the first quarter of 2013 included a discrete tax benefit of $1,700 related to 2012.

Note 18 Contingencies

We are involved in pending or potential litigation regarding environmental, product liability, patent, contract, employee and other matters arising from the normal course of business. Including the environmental matter discussed below, it is our opinion, after consultation with legal counsel, that resolutions of these matters are not expected to result in a material effect on our financial condition, quarterly or annual operating results or cash flows.

Environmental We have voluntarily agreed with the City of New Richmond, Wisconsin and other Potentially Responsible Parties to share costs associated with the remediation of the City of New Richmond municipal landfill (the Site) and constructing a potable water delivery system serving the impacted area down gradient of the Site. At October 31, 2014, and 2013 our accrual for the ongoing operation, maintenance and monitoring obligation at the Site was $615 and $668, respectively. The liability for environmental remediation represents management s best estimate of the probable and reasonably estimable undiscounted costs related to known remediation obligations. The accuracy of our estimate of environmental liability is affected by several uncertainties such as additional requirements that may be identified in connection with remedial activities, the complexity and evolution of environmental laws and regulations, and the identification of presently unknown remediation requirements. Consequently, our liability could be different than our current estimate. However, we do not expect that the costs associated with remediation will have a material adverse effect on our financial condition or results of operations.

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Management s Report on Internal Control Over Financial Reporting

The management of Nordson Corporation is responsible for establishing and maintaining adequate internal control over financial reporting.

Using criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992 framework), Nordson s management assessed the effectiveness of our internal control over financial reporting as of October 31, 2014.

We acquired Avalon Laboratories (Avalon) and Dima Group B.V. (Dima) on August 8, 2014 and August 29, 2014, respectively. They represented 9 percent of our total assets as of October 31, 2014. As the acquisitions occurred during the last 12 months, the scope of our assessment of the effectiveness of internal control over financial reporting does not include Avalon and Dima. This exclusion is in accordance with the SEC s general guidance that assessments of recently acquired businesses may be omitted from our scope in the year of acquisition.

Based on our assessment, management concluded that our internal control over financial reporting was effective as of October 31, 2014.

The independent registered public accounting firm, Ernst & Young LLP, has also audited the effectiveness of our internal control over financial reporting as of October 31, 2014. Their report is included herein.

/s/ MICHAEL F. HILTON
President and Chief Executive Officer
December 15, 2014

/s/ GREGORY A. THAXTON
Senior Vice President, Chief Financial Officer
December 15, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Nordson Corporation

We have audited Nordson Corporation s internal control over financial reporting as of October 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Nordson Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting . Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

As indicated in the accompanying Management s Report on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Avalon Laboratories and Dima Group B.V., which are included in the 2014 consolidated financial statements of Nordson Corporation and constituted 9 percent of total assets as of October 31, 2014. Our audit of internal control over financial reporting of Nordson Corporation also did not include an evaluation of the internal control over financial reporting of the Avalon Laboratories and Dima Group B.V.

In our opinion, Nordson Corporation maintained, in all material respects, effective internal control over financial reporting as of October 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nordson Corporation as of October 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended October 31, 2014 of Nordson Corporation and our report dated December 15, 2014 expressed an unqualified opinion thereon.

Cleveland, Ohio

December 15, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Nordson Corporation

We have audited the accompanying consolidated balance sheets of Nordson Corporation as of October 31, 2014 and 2013 and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended October 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nordson Corporation at October 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 31, 2014, in conformity with US generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nordson Corporation s internal control over financial reporting as of October 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated December 15, 2014 expressed an unqualified opinion thereon.

Cleveland, Ohio

December 15, 2014

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Our management, with the participation of the principal executive officer (president and chief executive officer) and the principal financial officer (senior vice president and chief financial officer), has reviewed and evaluated our disclosure controls and procedures (as defined in the Securities Exchange Act Rule 13a-15e) as of October 31, 2014. Based on that evaluation, our management, including the principal executive and financial officers, has concluded that our disclosure controls and procedures were effective as of October 31, 2014 in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and is accumulated and communicated to our management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management s report on internal control over financial reporting. The Report of Management on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm thereon are set forth in Part II, Item 8 of this Annual Report on Form 10-K.

(c) Changes in internal control over reporting. There were no changes in our internal controls over financial reporting that occurred during the fourth quarter of 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference to the captions Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance of our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders. Information regarding Audit Committee financial experts is incorporated by reference to the caption Election of Directors of our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders.

Our executive officers serve for a term of one year from date of election to the next organizational meeting of the board of directors and until their respective successors are elected and qualified, except in the case of death, resignation or removal. Information concerning executive officers is contained in Part I of this report under the caption Executive Officers of the Company.

We have adopted a code of ethics for all employees and directors, including the principal executive officer, other executive officers, principal finance officer and other finance personnel. A copy of the code of ethics is available free of charge on our Web site at http://www.nordson.com/governance. We intend to satisfy our disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to or waiver of a provision of our code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K by posting such information on our Web site.

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Item 11. Executive Compensation

The information required by this Item is incorporated by reference to the captions Directors Compensation for Fiscal Year 2014, Summary Compensation for Fiscal Year 2014, Grants of Plan-Based Awards for Fiscal Year 2014, Option Exercises and Stock Vested for Fiscal Year 2014, Pension Benefits for Fiscal Year 2014, Nonqualified Deferred Compensation for Fiscal Year 2014 and Potential Payments Upon Termination or Change of Control in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference to the caption Ownership of Nordson Common Shares in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders.

Equity Compensation Table

The following table sets forth information regarding equity compensation plans in effect as of October 31, 2014:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first reporting column)
Equity compensation plans approved by security holders	1,686	$ 42.77	2,900
Equity compensation plans not approved by security holders			
Total	1,686	$ 42.77	2,900

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to the caption Review of Transactions with Related Persons in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated by reference to the caption Fees Paid to Ernst and Young LLP in our definitive Proxy Statement for the 2015 Annual Meeting of Shareholders.

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PART IV

Item 15. Exhibits and Financial Statement Schedule

The following are filed as part of this report:

(a) 1. Financial Statements

The following financial statements are included in Part II, Item 8:

Consolidated Statements of Income for each of the three years in the period ending October 31, 2014

Consolidated Statements of Comprehensive Income for each of the three years in the period ending October 31, 2014

Consolidated Balance Sheets as of October 31, 2014 and October 31, 2013

Consolidated Statements of Shareholders Equity for each of the three years in the period ending October 31, 2014

Consolidated Statements of Cash Flows for each of the three years in the period ending October 31, 2014

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm

(a) 2. Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts and Reserves for each of the three years in the period ending October 31, 2014.

No other consolidated financial statement schedules are presented because the schedules are not required, because the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements, including the notes thereto.

(a) 3. Exhibits

The exhibits listed on the accompanying index to exhibits are filed as part of this Annual Report on Form 10-K.

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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.

NORDSON CORPORATION

Date: December 15, 2014

By: /s/ Gregory A. Thaxton
Gregory A. Thaxton
Senior Vice President, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Michael F. Hilton Michael F. Hilton Director, President and Chief Executive Officer (Principal Executive Officer)	December 15, 2014
/s/ Gregory A. Thaxton Gregory A. Thaxton Senior Vice President, Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	December 15, 2014
/s/ Joseph P. Keithley Joseph P. Keithley Chairman of the Board	December 15, 2014
/s/ Lee C. Banks Lee C. Banks Director	December 15, 2014
/s/ Randolph W. Carson Randolph W. Carson Director	December 15, 2014

Signatures *(Continued)*

/s/ ARTHUR L. GEORGE, JR. Arthur L. George, Jr. Director	December 15, 2014
/s/ FRANK M. JAEHNERT Frank M. Jaehnert Director	December 15, 2014
/s/ MICHAEL J. MERRIMAN, JR. Michael J. Merriman, Jr. Director	December 15, 2014
/s/ MARY G. PUMA Mary G. Puma Director	December 15, 2014
/s/ VICTOR L. RICHEY, JR. Victor L. Richey, Jr. Director	December 15, 2014

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Schedule II Valuation and Qualifying Accounts and Reserves

	Balance at Beginning of Year	Assumed from Acquisitions	Charged to Expense	Deductions	Currency Effects	Balance at End of Year
Allowance for Doubtful Accounts						
2012	$ 3,311	648	710	801	(92)	$ 3,776
2013	$ 3,776	256	889	698	42	$ 4,265
2014	**$ 4,265**	**121**	**867**	**551**	**(215)**	**$ 4,487**
Inventory Obsolescence and Other Reserves						
2012	$ 16,050	2,071	6,033	3,237	(412)	$ 20,505
2013	$ 20,505	3,969	5,075	2,961	(9)	$ 26,579
2014	**$ 26,579**	**1,045**	**6,706**	**6,361**	**(1,225)**	**$ 26,744**

NORDSON CORPORATION

Index to Exhibits

(Item 15(a) (3))

Exhibit Number	Description
(3)	Articles of Incorporation and By-Laws
3-a	1989 Amended Articles of Incorporation (incorporated herein by reference to Exhibit 3-a to Registrant s Annual Report on Form 10-K for the year ended October 31, 2011)
3-a-1	Certificate of Amendment to 1989 Amended Articles of Incorporation (incorporated herein by reference to Exhibit 3-a-1 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2011)
3-b	1998 Amended Regulations (incorporated herein by reference to Exhibit 3-b to Registrant s Annual Report on Form 10-K for the year ended October 31, 2010)
(4)	Instruments Defining the Rights of Security Holders, including indentures
4-b	Note Purchase and Private Shelf Agreement for $150 million between Nordson Corporation and New York Life Investment Management LLC dated as of June 30, 2011 (incorporated herein by reference to Exhibit 4.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2011)
4-c	$500 million Credit Agreement dated December 9, 2011 between Nordson Corporation and various financial institutions (incorporated herein by reference to Exhibit 4.1 to Registrant s Form 8-K dated December 12, 2011)
4-e	Master Note Purchase Agreement dated July 26, 2012 between Nordson Corporation and the purchasers listed therein (incorporated herein by reference to Exhibit 4.2 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2012)
4-f	Second Amendment to the Note Purchase and Private Shelf Agreement dated as of February 12, 2013 between Nordson Corporation and New York Life Investment Management LLC (incorporated herein by reference to Exhibit 4.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended January 31, 2013)
4-g	Credit Agreement dated August 6, 2014 by and among Nordson Corporation, PNC Bank National Association and PNC Capital Markets LLC (incorporated herein by reference to Exhibit 10.3 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2014)
(10)	Material Contracts
10-a	Amended and Restated Nordson Corporation 2004 Management Incentive Compensation Plan (incorporated herein by reference to Exhibit 10-a to Registrant s Annual Report on Form 10-K for the year ended October 31, 2013)*
10-b-1	Nordson Corporation 2005 Deferred Compensation Plan (incorporated herein by reference to Exhibit 10-b-1 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2010)*
10-b-2	Nordson Corporation 2005 Deferred Compensation Plan (as Amended and Restated Effective January 1, 2009) *
10-c	Resolution of Board of Directors Authorizing Execution of Indemnification Agreements (incorporated herein by reference to Exhibit 10-c to Registrant s Annual Report on Form 10-K for the year ended October 31, 2013)*
10-d	Restated Nordson Corporation Excess Defined Contribution Retirement Plan Agreement (incorporated herein by reference to Exhibit 10-d to Registrant s Annual Report on Form 10-K for the year ended October 31, 2009) *
10-d-1	First Amendment to Nordson Corporation Excess Defined Contribution Retirement Plan (incorporated herein by reference to Exhibit 10-d-1 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2012)*

Index to Exhibits *Continued*

Exhibit Number	Description
10-d-2	Nordson Corporation 2005 Excess Defined Contribution Benefit Plan (incorporated herein by reference to Exhibit 10-d-2 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2011)*
10-d-3	Nordson Corporation 2005 Excess Defined Contribution Retirement Plan (as Amended and Restated Effective January 1, 2009)*
10-e	Nordson Corporation Excess Defined Benefit Pension Plan (incorporated herein by reference to Exhibit 10-d to Registrant s Annual Report on Form 10-K for the year ended October 31, 2009)*
10-e-1	Second Amendment to Nordson Corporation Excess Defined Benefit Pension Plan (incorporated herein by reference to Exhibit 10-e-1 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2012)*
10-e-2	Nordson Corporation 2005 Excess Defined Benefit Pension Plan (incorporated herein by reference to Exhibit 10-e-2 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2010)*
10-e-3	Nordson Corporation 2005 Excess Defined Benefit Pension Plan (as Amended and Restated Effective January 1, 2009)*
10-g-1	Amended and Restated Nordson Corporation 2004 Long-Term Performance Plan (incorporated herein by reference to Exhibit 10-g-1 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2013)*
10-g-2	Nordson Corporation 2012 Stock Incentive and Award Plan (incorporated by reference to Exhibit 10.1 to Registrant s Form 8-K dated March 4, 2013)*
10-g-3	Nordson Corporation 2012 Stock Incentive and Award Plan, Form of Notice of Award (as amended November 24, 2014)*
10-g-4	Nordson Corporation 2012 Stock Incentive and Award Plan, Form of Notice of Award (as amended November 24, 2014)*
10-g-5	Nordson Corporation 2012 Stock Incentive and Award Plan, Directors Deferred Compensation Sub-Plan (incorporated herein by reference to Exhibit 10-g -5 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2013)*
10-g-6	Nordson Corporation 2012 Stock Incentive and Award Plan, Directors Deferred Compensation Sub-Plan, Form of Notice of Award (incorporated herein by reference to Exhibit 10-g-6 to Registrant s Annual Report on Form 10-K for the year ended October 31, 2013)*
10-h	Assurance Trust Agreement between Nordson Corporation and Key Trust Company of Ohio, N.A. amended and restated as of January 22, 2014 (incorporated herein by reference to Exhibit 10.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended January 31, 2014)
10-h-1	Form of Change in Control Retention Agreement between the Registrant and Executive Officers*
10-i	Compensation Committee Rules of the Nordson Corporation 2004 Long Term Performance Plan governing directors deferred compensation (incorporated herein by reference to Exhibit 10-i to Registrant s Annual Report on Form 10-K for the year ended October 31, 2010)*
10-j	Compensation Committee Rules of the Nordson Corporation Amended and Restated Nordson Corporation 2004 Long Term Performance Plan governing directors deferred compensation (incorporated herein by reference to Exhibit 10-j to Registrant s Annual Report on Form 10-K for the year ended October 31, 2010)*
10-m	Employment Agreement between Registrant and Michael F. Hilton (incorporated herein by reference to Exhibit 99.3 to Registrant s Form 8-K dated December 21, 2009)*

Index to Exhibits *Continued*

Exhibit Number	Description
10-n	Employment Agreement (Change in Control Retention Agreement) between Registrant and Michael F. Hilton (incorporated herein by reference to Exhibit 99.4 to Registrant s Form 8-K dated December 21, 2009)*
10-o	Supplemental Retirement Agreement between the Registrant and Michael F. Hilton (incorporated herein by reference to Exhibit 10-o to Registrant s Annual Report on Form 10-K for the year ended October 31, 2010)*
10-p	Stock Purchase Agreement by and among VP Acquisition Holdings, Inc., the Stockholders of VP Acquisition Holdings, Inc., the Optionholders of VP Acquisition Holdings, Inc., American Capital, Ltd., as Securityholder Representative, and Nordson Corporation dated as of July 15, 2011 (incorporated herein by reference to Exhibit 4.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2011)
10-q	Stock Purchase Agreement Dated May 18, 2012 by and among Nordson Corporation and Bertram Growth Capital I, Bertram Growth Capital II, Bertram Growth Capital II-A, and EDI Holdings, Inc. (incorporated herein by reference to Exhibit 10.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2012)
10-r	Agreement and Plan of Merger by and among Xaloy Superior Holdings, Inc., Nordson Corporation, Buckeye Merger Corp. and Sellers Representative dated as of June 2, 2012 (incorporated herein by reference to Exhibit 10.2 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2012)
10-s	Sale and Purchase Agreement dated July 16, 2013 relating to Kreyenborg and BKG between Mr. Jan-Udo Kreyenborg, Kreyenborg Verwaltungen und Beteiligungen GmbH & Co. KG, Kreyenborg Verwaltungs-GmbH and Nordson Corporation (incorporated herein by reference to Exhibit 10.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2013)
10-t	Agreement and Primary Release of Claims dated June 24, 2014 between Registrant and Peter G. Lambert (incorporated herein by reference to Exhibit 10.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2014)
10-u	Agreement and Plan of Merger by and among Avalon Laboratories Holding Corp., Nordson Medical Corporation, Arriba Merger Corp., American Capital Equity III, LP, as Securityholders Representative and for the limited purposes set forth herein, Nordson Corporation, dated as of August 1, 2014 (incorporated herein by reference to Exhibit 10.2 to Registrant s Quarterly Report on Form 10-Q for the quarter ended July 31, 2014)
(21)	Subsidiaries of the Registrant
(23)	Consent of Independent Registered Public Accounting Firm
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99-a	Form S-8 Undertakings (Nos. 33-18309 and 33-33481)

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Index to Exhibits *Continued*

Exhibit Number	Description
101	The following financial information from Nordson Corporation s Annual Report on Form 10-K for the year ended October 31, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income for the years ended October 31, 2014, 2013 and 2012, (ii) the Consolidated Statements of Comprehensive Income for the years ended October 31, 2014, 2013 and 2012 (iii) the Consolidated Balance Sheets at October 31, 2014 and 2013, (iv) the Consolidated Statements of Changes in Shareholders Equity for the years ended October 31, 2014, 2013 and 2012, (v) the Consolidated Statements of Cash Flows for the years ended October 31, 2014, 2013 and 2012, and (vi) Notes to Consolidated Financial Statements.

*Indicates management contract or compensatory plan, contract or arrangement in which one or more directors and/or executive officers of Nordson Corporation may be participants.