

# The Scott & Fetzer Company

# 1970 Annual Report

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**ELECTRICAL**



**CONSUMER**



**COMMERCIAL/INDUSTRIAL**

# The Scott & Fetzer Company

## 10 year record, 1961-1970

(Dollar amounts in thousands except for per share data)

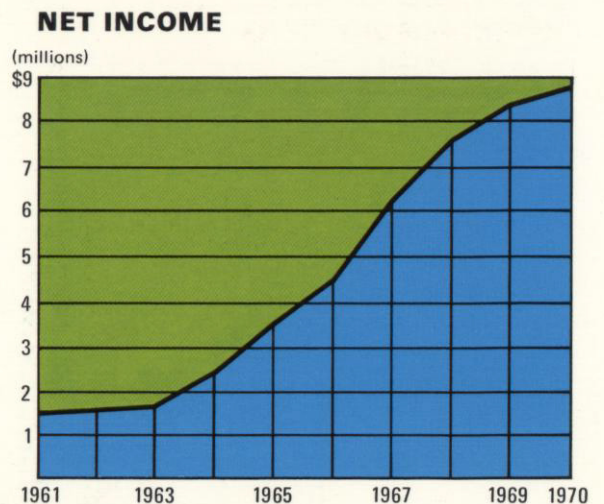
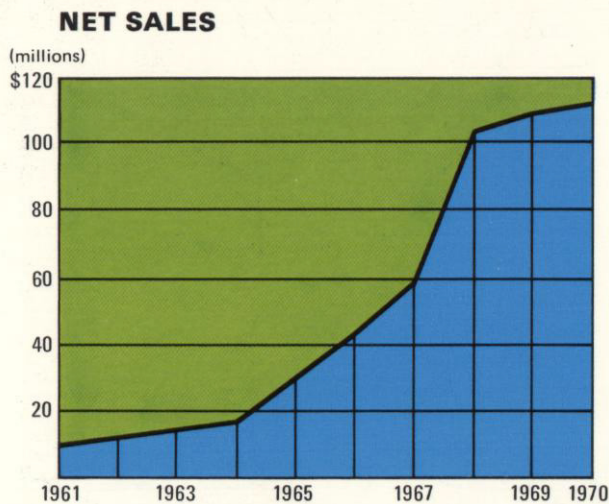
<b>AS REPORTED</b>	<b>1970</b>	<b>1969</b>	<b>1968</b>
Net Sales . . . . .	<b>\$116,368</b>	\$115,489	\$106,295
Net Income . . . . .	<b>8,864</b>	8,389	7,697
Earnings per Share . . . . .	<b>1.56</b>	1.47	1.46
Cash Dividends per Share . . . . .	<b>.80</b>	.80	.72
Working Capital . . . . .	<b>34,672</b>	33,599	29,769
Fixed Assets, Net . . . . .	<b>15,837</b>	14,110	11,285
Net Worth . . . . .	<b>47,719</b>	44,485	37,298
Shares Outstanding (000) . . . . .	<b>5,616</b>	5,679	5,271
Number of Shareholders . . . . .	<b>11,445</b>	10,519	9,814

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### RESULTS RESTATED FOR POOLINGS

Net Sales . . . . .	<b>\$116,368</b>	\$115,994	\$116,515
Net Income . . . . .	<b>8,864</b>	8,456	8,389
Earnings per Share . . . . .	<b>1.56</b>	1.47	1.45

Divisions acquired by poolings of interest are included from the year of acquisition.



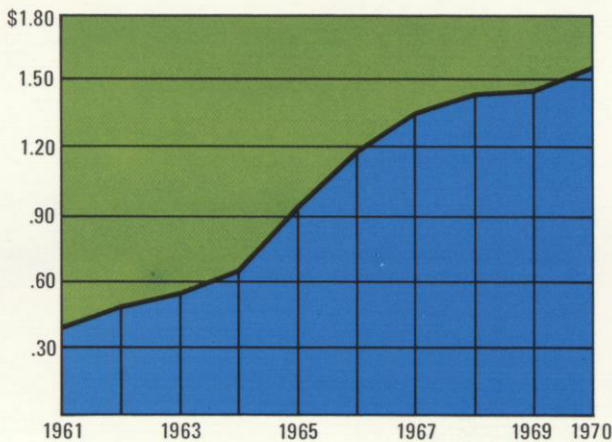


1967	1966	1965	1964	1963	1962	1961
\$60,058	\$41,331	\$33,350	\$18,833	\$15,465	\$14,241	\$13,398
6,300	4,579	3,620	2,435	1,734	1,590	1,403
1.39	1.20	.97	.70	.55	.50	.44
.60	.60	.54	.47	.52	.43	.55
15,879	9,478	8,409	6,745	5,465	5,261	4,884
7,208	5,177	3,665	2,235	1,321	1,417	1,558
22,668	14,518	11,890	9,484	6,965	6,857	6,610
4,535	3,811	3,726	3,481	3,159	3,159	3,159
4,750	4,376	4,196	3,753	3,455	3,430	3,190

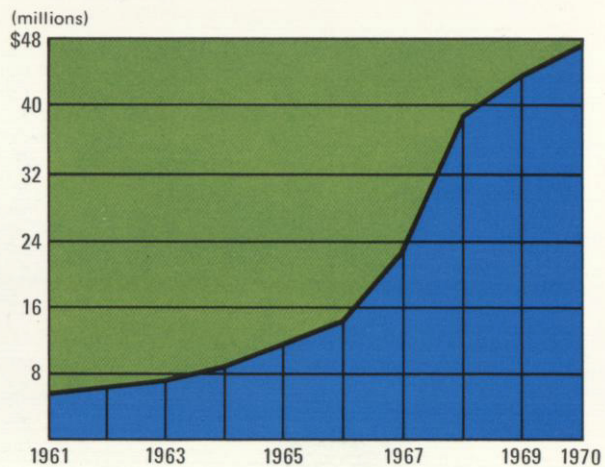
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\$111,412	\$101,508	\$88,423	\$75,331	\$72,522	\$66,705	\$60,958
7,938	6,528	5,958	3,048	4,004	3,527	1,647
1.38	1.13	1.03	.52	.69	.61	.28

### EARNINGS PER SHARE



### NET WORTH





## To the shareholders:

Fiscal 1970 was the ninth consecutive year in which your company reported an increase in earnings per share. Earnings per share rose to \$1.56, a 9¢ increase over the \$1.47 per share earned in 1969, an improvement of 6.1%.

Sales were \$116,368,334 as compared to \$115,994,329 restated in 1969 and earnings increased to \$8,863,901 versus \$8,456,144 restated for the previous year.

All 22 divisions of The Scott & Fetzer Company operated at a profit during 1970. Many of our divisions equalled their 1969 performance, and several enjoyed substantial improvement, in some cases resulting in all-time record sales and earnings. However, divisions manufacturing automotive and agricultural equipment parts

were severely depressed. Several divisions suffered because of the lengthy trucking strike and the curtailment in capital goods spending. Residential construction did not improve during the year, so that divisions in this area had a relatively flat year.

Examination of the company's balance sheet reveals a current ratio of 3.84 to 1 and a ratio of equity to long-term debt of 11.2 to 1.

### Plant Expansions

During 1970, new plants were completed for our PLM Products Division in Cleveland and our Halex Division in Bedford Heights, Ohio. Our Kingston Division of Kokomo, Indiana, moved some operations into a new plant in Smithville, Tennessee, and our Stahl Metal Products Division opened a new plant in Hampstead, Maryland.

### In Memoriam

The untimely passing of Chairman of the Board and Chief Executive Officer John A. Kemper in July of 1970 shocked and saddened his many friends and fellow employees. For twenty-five years he was a dominant force in the direction of The Scott & Fetzer Company and as its Chairman and Chief Executive Officer brought the company to its present strong position. The excellent executive staff which grew under his leadership will continue to build through wise planning.

### Corporate Personnel Changes

The Board of Directors at their August meeting assigned the additional responsibility of Chief Executive Officer to me. Mr. Quigg Lohr was elected Executive Vice President-Administration and Mr.

At Corporate Headquarters, the senior officers of Scott & Fetzer: B. R. Pinney, Executive Vice President-Operations; Niles H. Hammink, President and Chief Executive Officer; Quigg Lohr, Executive Vice President-Administration and Secretary.





B. R. Pinney, Executive Vice President-Operations. Mr. James M. Heyne, Group Vice President, was elected to the Board of Directors to complete the unexpired term of Mr. J. A. Kemper. The Board elected Mr. R. W. Minett, Jr. to the office of Group Vice President in charge of our four lighting divisions.

Group Vice President W. C. Whorley announced his retirement effective December 31, 1970. Mr. Whorley was President of the Kingston Products Company before its acquisition by Scott & Fetzer in 1968. His long and devoted service to the corporation is very much appreciated and we wish him well in his retirement.

#### **Division Structural Changes**

Several important corporate changes were made during 1970. Our American-Lincoln Division was divided into three separate divisions. The Lombard Power Equipment Division is based in Cleveland, Ohio, although the chain saws are manufactured in Montreal, Quebec, Canada. The Northland Electric

Motors Division, manufacturers of fractional horsepower electric motors, is based in Watertown, New York, and the American-Lincoln Division, manufacturers of floor care equipment, operates in Toledo and Bowling Green, Ohio.

The Rusgreen product line was transferred from our Adalet Division to our PLM Products Division in the interest of better product fit.

#### **Acquisitions**

During 1970, the Cleveland Wood Products Company, a manufacturer of vacuum cleaner brushes, was acquired by your company. This division promises excellent growth in the coming years.

Scott & Fetzer's acquisition program has been revitalized and conversations are being held with several acquisition candidates. As developments occur, you will be kept informed.

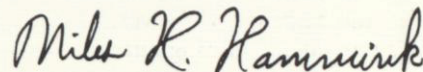
Mr. Walter J. Maciag joined the company in January of this year as Manager of Corporate Development. He will concentrate on external growth through mergers and acquisitions.

#### **Looking Ahead**

We are hopeful that 1971 operations will result in further corporate growth and a continuing upward earnings trend. Lower interest costs should improve the rate of capital spending; a larger number of residential housing starts is forecast; and apparently automobile sales will rise. These factors are the basis for our optimistic view of 1971.

May I take this opportunity to personally express my thanks to all shareholders and employees for their support and cooperation in 1970.

Very truly yours,



Niles H. Hammink  
Lakewood, Ohio  
February 5, 1971



# Consumer products



Viriden lighting fixtures create a mood for modern living. Thousands of designs to fit any decor, any ceiling or wall location. Made by Viriden Lighting Division and Viriden Lighting (Canada) Division, and sold through electrical fixture distributors.



"The Kirby"—unexcelled cleaning companion to American homemakers for more than half a century. Made by the Kirby Division and sold in the home.

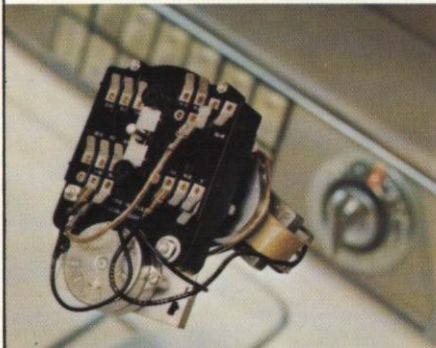
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Quikut Division's handsome cutlery items embellish dinner tables in millions of homes, obtained through premium offers by Quikut customers.



When you're asked "May I see your card, please," you'll show it graciously . . . when it's made by DEK Process Division. Demand for tamperproof identification cards is burgeoning. DEK has a superior color photo system.



An automatic timer, often called the "heart of the automatic washer." Made by the Kingston Division for leading automatic washer manufacturers.

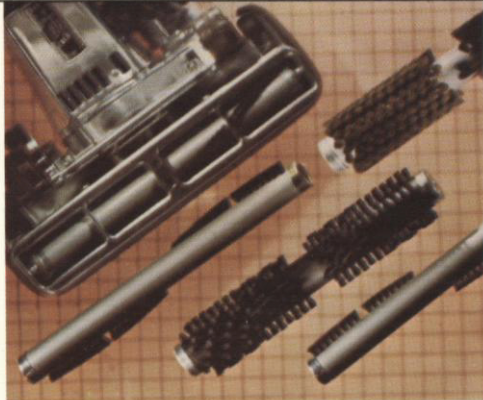


Pure elegance in any setting . . . a lamp by Rembrandt. An extensive line made by the Rembrandt Division, sold by fine furniture, department and specialty stores throughout the United States and Canada.

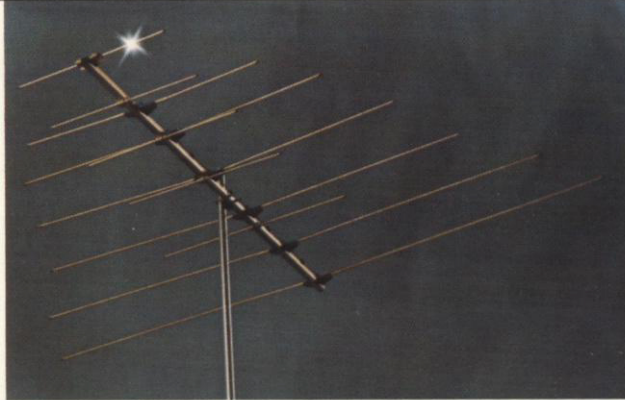


SCOTT & FETZER SALES

64%



Unseen heroes of Kirby and other vacuum sweepers are the tough roller bristles made by Cleveland Wood Products Division.



You can count on a perfect picture inside when an S & A-made aerial is outside. Antennas for television and FM receivers are made by S & A Electronics Division.



Quality crystal chandeliers, sconces and swag lamps made by the Prestige Division have earned a respected place in the lighting industry for their beauty and selling features.



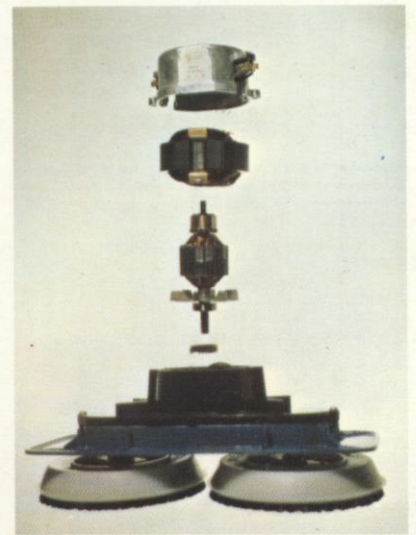
The Lombard Chain Saw, well known in the professional market, is now penetrating the mass market. It has the quality, the dependability, the ruggedness to do any professional, home or farm tree-cutting job. Made by the Lombard Power Equipment Division.



Canister-type vacuum cleaner for household use, made by the Douglas Division. This division also makes vacuum sweepers for private brand customers to their specifications.



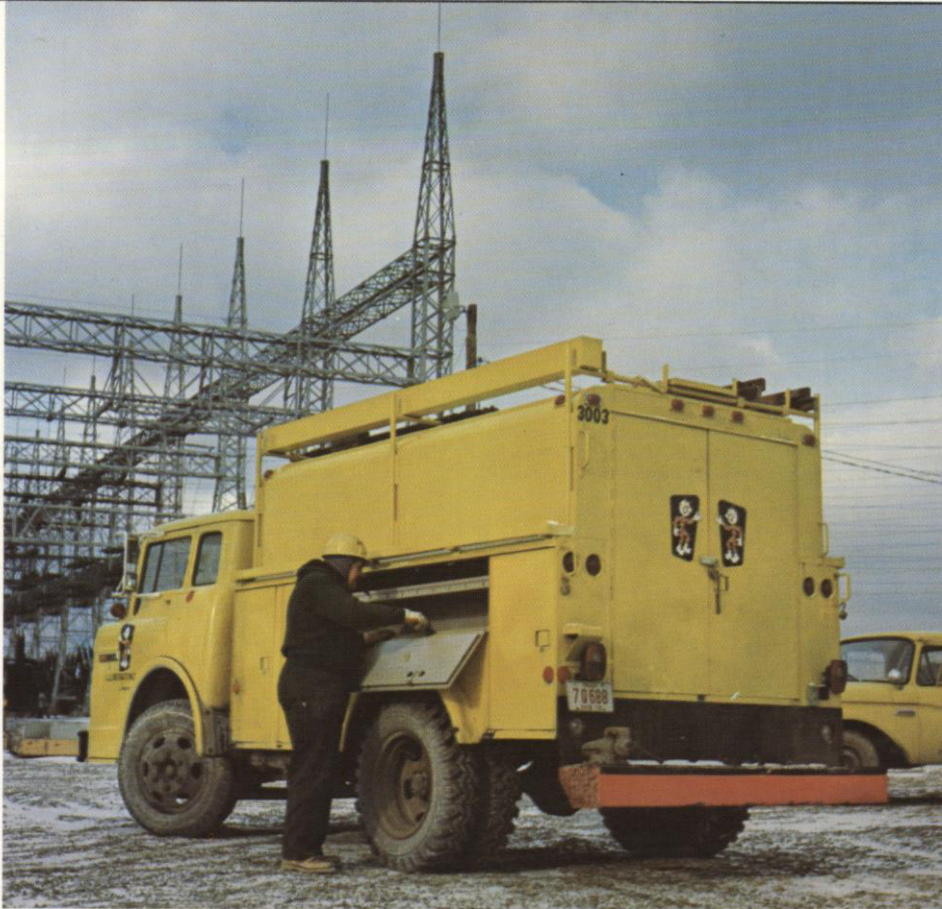
One leading truck-maker makes driving easier "for all 9 sizes of truck drivers" with a steering column that's totally movable. Who makes the steering column assembly? Douglas Division, of course! . . . builder of automotive assemblies for 50 years.



Fractional horsepower motors—main products of Northland Electric Motors Division. Motors operate small appliances, hand tools, desk-top business machines.



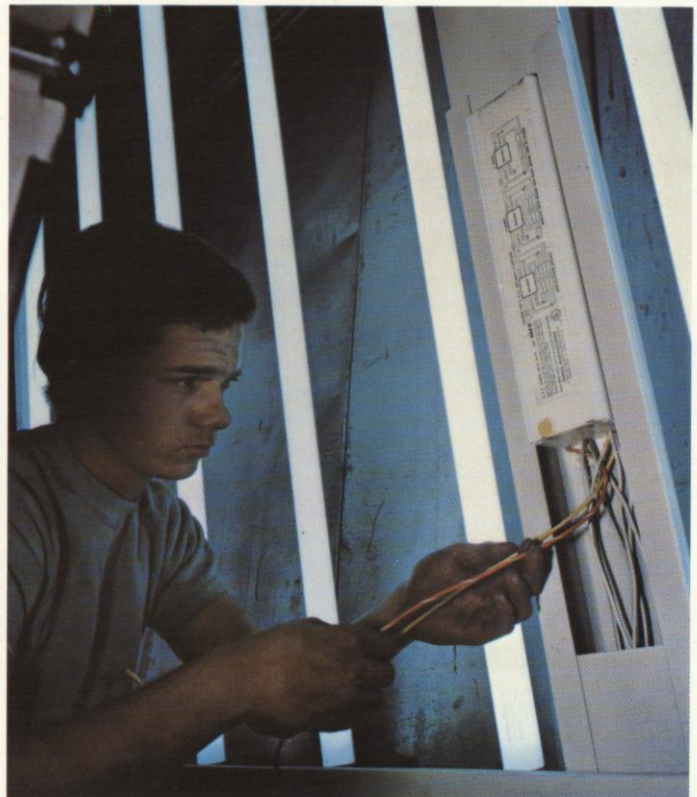
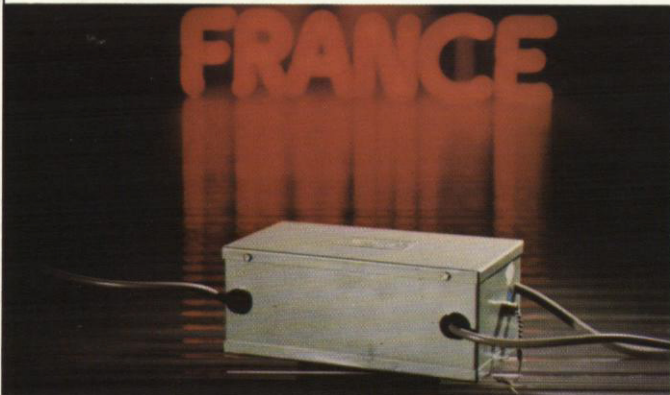
# Electrical products



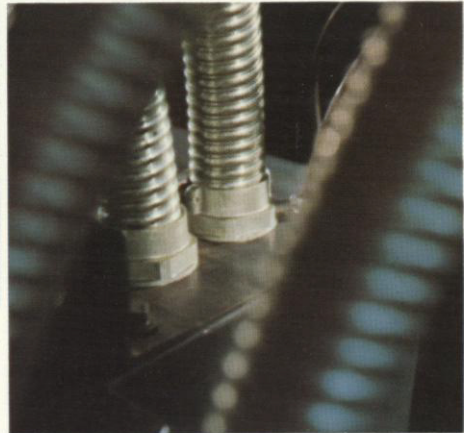
Service made easy—for electric, telephone and gas utility service personnel—with special truck bodies and mounted equipment, custom built for utility companies by the Stahl Metal Products Division.

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Transformers and ballasts made by the France Manufacturing Division are the hidden power units inside thousands of illuminated signs that guide millions to service stations, restaurants, motels and other establishments coast-to-coast. The France line, including the patented "Franceformer," is sold to sign builders.







Whether inside the earth or on it, electrical connectors produced by PLM Products Division help move electricity efficiently, safely. Widely used by the mining industry.



Wherever electricity must go, Halex fittings help it get there. Die cast electrical conduit fittings for every conceivable purpose are designed and made by the Halex Division for safe, easy installation.

Guardians against explosions and weather elements, electrical housings by the Adalet Division provide safety where it's needed in electrical distribution systems. Switch boxes, too, as shown here.





# Commercial/Industrial products

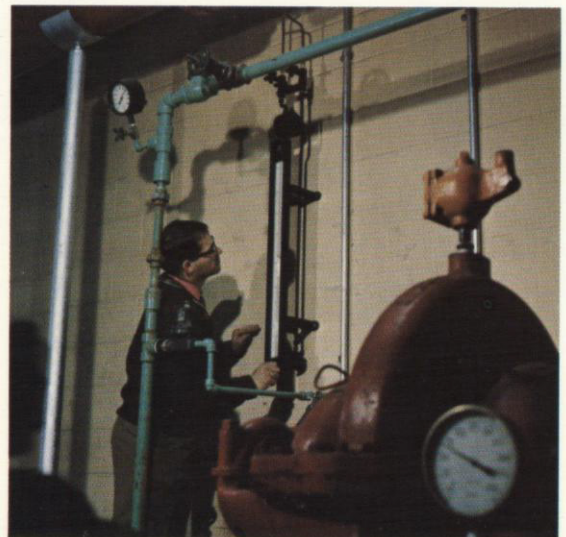


"Known by the companies it sweeps"—and American-Lincoln sweepers are seen in all the right places, inside and outside, helping keep America clean. Products of American-Lincoln and American-Lincoln of Canada Divisions.

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American-Lincoln scrubbers have wide application for commercial and industrial floor maintenance. Another product of American-Lincoln and American-Lincoln of Canada Divisions.



Measuring liquids and gases in motion. Sounds simple, and sometimes it is. Often it's not. Meriam Instrument Division has been producing precision instruments since 1911 to help American industry measure accurately, mostly with the tough jobs. Here a new Meriam flow meter is used to check a fire pump in a plant fire protection system.

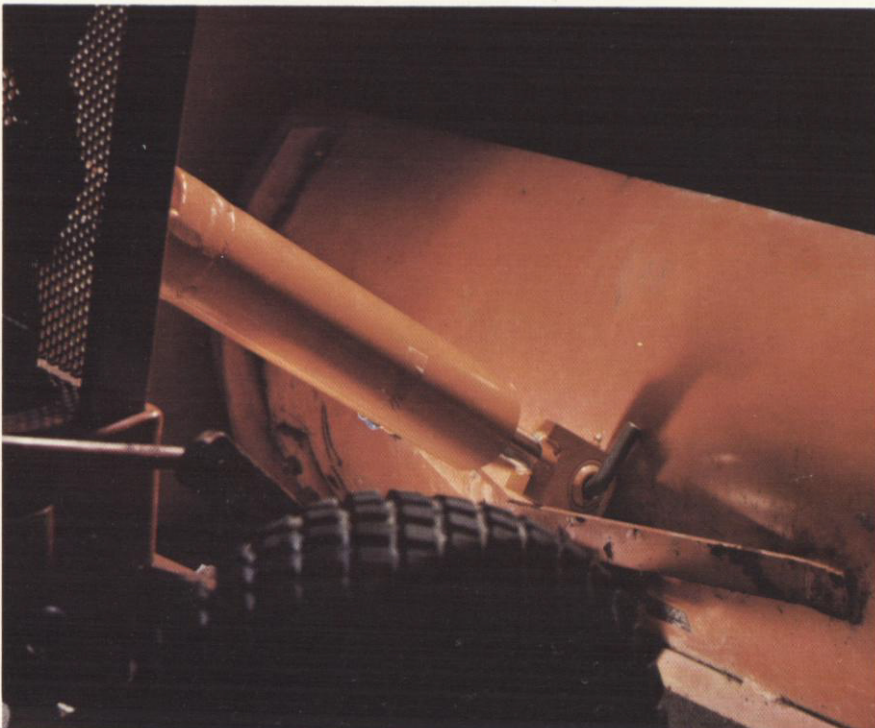


SCOTT & FETZER SALES

		16%
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Left, a gear so big (500 pounds) but a tolerance so tiny—one/one thousandth of an inch. A typical precision built gear by Bedford Gear Division so when it's assembled into the earthmoving bruiser above things mesh perfectly and earth moves willingly.



On a large or small vehicle, when something has to move, then hold its position, a Kingston Division-made hydraulic system can do the trick. Here, a hydraulic cylinder on a garden tractor.



# Scott & Fetzer markets are expanding

As shown elsewhere in this report, 64 per cent of our sales volume is in our Consumer Products Group. Among the markets reached by the divisions in this Group, the Housing segment is of great importance. The reason: these divisions make products used in new homes and by newly-formed families. Whether single unit homes or multi-unit such as apartments, new dwellings need lighting fixtures, lamps of all types, laundry machines, TV antennas and home maintenance equipment. Scott & Fetzer Consumer Products divisions are in all of these fields, and more, as shown in the product listing on the next page.

In addition, other divisions in the Electrical Products Group and the Commercial/Industrial Products Group should feel the effects of the housing industry surge that looms ahead because they too make products associated with construction. Examples: (1) the electrical system fittings made by the Hallex Division are installed in homes and apartments; (2) special utility company service trucks are equipped with bodies and accessories made by the Stahl Metal Products Division, and electric, telephone and gas utilities will need more trucks to install and service facilities for their customers.

Why the need for all this housing in the Seventies? While population growth will remain at about the same rate as the past 15 years—about 20 per cent—the makeup of our population will change considerably. During the next 15 years the population mix will shift so that there will be about as many people 30 years of age and over as

under 30 by 1985. The big gains will be in the 25-34 and over-65 age brackets.

The sizeable increase in the 25-34 age group will result in increasing family formations and a growing demand for new housing units. Will the projected housing goals, defined in the President's Report on National Housing Goals shown in the chart below, be met?

Money will be a key factor, as the availability of financing plays a major role in housing. Historically, when money rates decline, housing has benefitted. This is currently the situation.

The color photo identification system of DEK Processes Division offers unique advantages for state drivers' licenses, state and city welfare agencies, Master Charge cards and BankAmericards, because it is tamper-proof and has backing it up unalterable negative files, the uniqueness of a signature with a color portrait, the completeness of personal data, the security imprinting and the durability of lamination. The demand for this product is rising sharply.

## Electrical Market Rising

The electrical distribution industry represents another major market for Scott & Fetzer, and it too is expected to grow rapidly during the next 15 years, as shown by the chart below. Residential sales of electricity likely will contribute more to the total revenue of electric utilities serving the 48 contiguous states than any other category of power sales, due to such factors as electric house heating and cooling, as well as the increase in housing units previously discussed.

Divisions in the Electrical Products Group are directly involved with the electrical distribution industry, as the product listing on the opposite page shows. Electrical fittings, housings, fixtures, ballasts, transformers, and utility truck bodies and other electrical products—all are Scott & Fetzer lines that should share in the projected residential, industrial and commercial gains in kilowatt-hour sales, beginning in 1971.

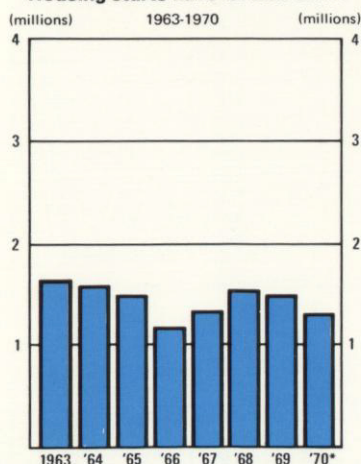
## Other Prime Markets

The divisions in the Commercial/Industrial Group serve a number of important expanding markets and provide the Company with desirable diversification. These markets include automotive, machinery, chemical and petrochemical and aerospace.

As more buildings of all types are constructed—offices, apartments, hospitals, schools, factories and others—the market for floor cleaning and care equipment grows automatically. Scott & Fetzer manufactures the most extensive line of floor and surface maintenance equipment in the world, ranging from a small hand carried vacuum cleaner to large tractor mounted units that sweep airport runways and parking lots, even the Indianapolis Speedway. For the Seventies, all of the markets to which Scott & Fetzer products are sold appear headed for the highest levels in history. The strong position of our divisions in their respective markets should enable them to participate accordingly.

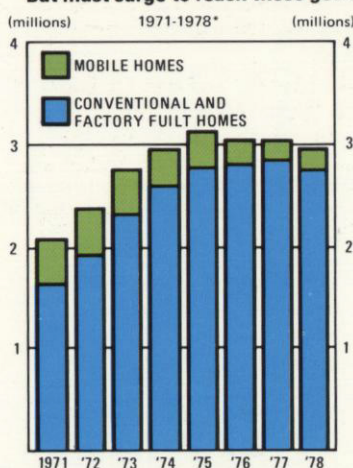
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**Housing starts have leveled off...**



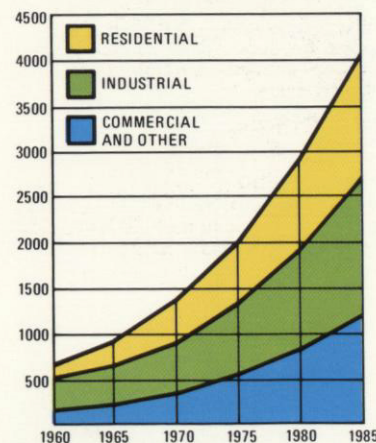
\*estimated  
Source: Bureau of the Census

**But must surge to reach these goals**



\*estimated  
Source: Presidents Report on National Housing Goals

**Electric Utility sales, billions of kilowatthours.**



Source: McGraw-Hill Co.



# Scott & Fetzer Divisions/Plants/Products

## CONSUMER PRODUCTS

### Cleveland Wood Products Division

3881 West 150th Street  
Cleveland, Ohio 44111  
Principal Products: Roller and flat brushes for vacuum cleaners, polishers and other floor maintenance equipment.

### DEK Processes Division

1530 Progress Road  
Fort Wayne, Indiana 46808  
Principal Products: Color photo identification systems for drivers' licenses, credit cards, and college and university student identification cards, and other personal identification applications.

### Douglas Division

141 Railroad Street  
Bronson, Michigan 49028  
Principal Products: Vacuum cleaners, assemblies, subassemblies and parts for the automotive industry; electrical components for the bus and truck industry.

### Kingston Division

1412 North Webster Street  
Kokomo, Indiana 46901  
Principal Products: Electrical timers and components for residential and commercial automatic laundry equipment.

### The Kirby Company Division

1920 West 114th Street  
Cleveland, Ohio 44102  
Principal Products: Vacuum cleaners, rug shampooers, and other maintenance equipment for the home.

### Lombard Power Equipment Division

4181 Rocky River Drive  
Cleveland, Ohio 44135

### Lombard Power Equipment Division

SFZ International Limited  
10436-38 L'archeveque Blvd.  
Montreal-Nord, Quebec, Canada  
Principal Product: Chain saws.

### Northland Electric Motors Division

968 Bradley Street  
Watertown, New York 13601  
Principal Products: Fractional horsepower motors for electric appliances, power tools, business machines, and other products.

### Prestige Division

SFZ International Limited  
9850 Meilleur Street  
Montreal, Quebec, Canada  
Principal Products: Crystal chandeliers and other residential and commercial lighting fixtures.

### Quikut Division

1100 Napoleon Street  
Fremont, Ohio 43420  
Principal Products: Stainless steel cutlery and molded plastic household items for the premium and retail markets.

### Rembrandt Lamp Division

4500 West Division Street  
Chicago, Illinois 60651  
Principal Products: Floor, table and swag lamps for residential and commercial use.

### S & A Electronics Division

202 West Florence Street  
Toledo, Ohio 43605  
Principal Products: Television and FM receiver antennas and allied equipment for residential installations.

### Virden Lighting Division

6103 Longfellow Avenue  
Cleveland, Ohio 44103

### Virden Lighting (Canada) Division

SFZ International Limited  
19 Curity Avenue  
Toronto 16, Ontario, Canada  
Principal Products: Ceiling and wall lighting fixtures for residential, commercial and industrial applications.

## ELECTRICAL PRODUCTS

### Adalet Division

4801 West 150th Street  
Cleveland, Ohio 44135  
Principal Products: Explosion-proof and weather-proof housings for electrical equipment; switch boxes; commercial lighting fixtures, and other electrical system products for all types of installations.

### France Manufacturing Division

875 Bassett Road  
Westlake, Ohio 44145  
Principal Products: Transformers and ballasts for indoor and outdoor electrical signs of all types; ignition systems for residential and industrial oil and gas furnaces.

### The Halex Division

23901 Aurora Road  
Bedford Heights, Ohio 44146  
Principal Products: Die cast electrical conduit fittings and connectors for residential, commercial and industrial applications.

### PLM Products Division

4799 West 150th Street  
Cleveland, Ohio 44135  
Principal Products: High voltage electrical connecting, splicing and terminating devices.

### Stahl Metal Products Division

4750 West 160th Street  
Cleveland, Ohio 44135  
Principal Products: Truck bodies and associated equipment for public utility service trucks and for other commercial applications.

## COMMERCIAL/INDUSTRIAL PRODUCTS

### American-Lincoln Division

518 South St. Clair Street  
Toledo, Ohio 43603

### American-Lincoln of Canada Division

SFZ International Limited  
415 Signet Road  
Toronto (Weston), Ontario, Canada  
Principal Products: Self-powered industrial floor sweepers; electric powered floor scrubbers, sanders, polishers, vacuum cleaners; carpet shampooing and other floor maintenance equipment.

### Bedford Gear Division

7160 Krick Industrial Park  
Cleveland, Ohio 44146  
Principal Products: Precision gears, gear assemblies and related products for commercial and industrial machinery equipment manufacturers and the aerospace industry.

### Kingston Division

1412 North Webster Street  
Kokomo, Indiana 46901  
Principal Products: Suspension system components for buses and trucks; hydraulic cylinders for off-the-road equipment; automotive parts.

### Meriam Instrument Division

10920 Madison Avenue  
Cleveland, Ohio 44102  
Principal Products: Precision equipment for the measurement of pressure, vacuum and flow of liquids and gases in the chemical, petrochemical and processing industries.



# The Scott & Fetzer Company and subsidiary companies

## Consolidated Balance Sheet

as of November 30, 1970 and 1969

### Assets

	November 30	
	1970	1969 (Note 1)
Current assets:		
Cash . . . . .	\$ 2,179,749	\$ 1,391,949
Certificates of deposit . . . . .	319,065	1,035,000
Marketable investments, at cost, market quotations 1970—\$1,358,740, 1969—\$1,567,545 . . . . .	1,433,892	1,632,182
Trade receivables, less allowance for doubtful accounts 1970—\$458,980, 1969—\$271,918 . . . . .	16,510,176	16,240,957
Other receivables . . . . .	455,337	405,318
Inventories, at the lower of cost (first-in, first-out) or market:		
Raw material and supplies . . . . .	10,150,387	10,196,235
Work in process . . . . .	7,578,772	6,497,958
Finished goods . . . . .	7,564,479	6,788,860
	<u>25,293,638</u>	<u>23,483,053</u>
Prepaid expenses	678,318	514,846
Total current assets . . . . .	<u>46,870,175</u>	<u>44,703,305</u>
Property, plant and equipment, at cost:		
Land and land improvements . . . . .	1,321,355	1,240,066
Buildings . . . . .	8,291,479	7,825,893
Machinery and equipment . . . . .	20,097,399	17,771,593
	<u>29,710,233</u>	<u>26,837,552</u>
Allowance for depreciation . . . . .	13,872,953	12,539,048
	<u>15,837,280</u>	<u>14,298,504</u>
Cash surrender value of life insurance . . . . .	—	39,535
Intangible assets arising from acquisitions . . . . .	1,087,287	1,131,507
Other assets . . . . .	316,906	374,584
	<u>\$64,111,648</u>	<u>\$60,547,435</u>



## Liabilities

	November 30	
	1970	1969 (Note 1)
Current liabilities:		
Notes payable, banks . . . . .	\$ 865,713	\$ 859,870
Current portion of long-term debt (Note 2) . . . . .	547,873	532,662
Accounts payable, trade . . . . .	3,837,888	3,608,641
Accounts payable, other . . . . .	1,033,564	736,683
Income taxes . . . . .	2,356,667	1,980,946
Accrued taxes, other than income taxes . . . . .	538,728	650,331
Accrued liabilities for payroll, pension funds, commissions, interest and other . . . . .	3,017,406	2,716,295
Total current liabilities . . . . .	<u>12,197,839</u>	<u>11,085,428</u>
Long-term debt (Note 2) . . . . .	3,711,873	4,258,192
Deferred income taxes . . . . .	483,344	476,292
Total liabilities . . . . .	<u>16,393,056</u>	<u>15,819,912</u>

## Shareholders' Equity

### Serial Preference Stock:

Authorized 1,000,000 shares, without par value, issued shares—none

### Common Stock:

Authorized 15,000,000 shares, without par value (Notes 3 and 7)

Stated value of issued shares \$1.25 per share

1970—5,743,006, less 126,896 in treasury

1969—5,743,006, less 27,796 in treasury . . . . .

7,020,138                      7,144,012

Additional capital (Note 7) . . . . . 5,603,194                      5,702,248

Retained earnings (Note 2) . . . . . 35,095,260                      31,881,263

47,718,592                      44,727,523

\$64,111,648                      \$60,547,435



# The Scott & Fetzer Company and subsidiary companies

## Statement of Income and Retained Earnings

for the years ended November 30, 1970 and 1969

	Year Ended November 30		
	1970	1969 (Note 1)	1969 Annual Report
Net sales . . . . .	\$116,368,334	\$115,994,329	\$115,489,132
Cost of goods sold . . . . .	82,705,771	82,232,544	81,985,451
Gross profit . . . . .	33,662,563	33,761,785	33,503,681
Selling, general and administrative expenses . . . . .	16,567,213	16,782,166	16,676,949
Operating profit . . . . .	17,095,350	16,979,619	16,826,732
Other income, net . . . . .	193,551	150,260	171,966
Income before provision for income taxes . . . . .	17,288,901	17,129,879	16,998,698
Provision for income taxes . . . . .	8,425,000	8,673,735	8,610,000
Net income . . . . .	8,863,901	8,456,144	\$ 8,388,698
Retained earnings, beginning of year . . . . .	31,881,263	28,802,499	
	40,745,164	37,258,643	
Cash dividends—per share 1970—\$.80, 1969—\$.80 . . . . .	4,532,328	4,517,533	
Dividends paid by merged companies prior to acquisition . . . . .		119,173	
Excess of cost of treasury stock over amount allocated to additional capital account—1970—99,100 shares 1969—63,796 shares . . . . .	1,117,576	740,674	
	5,649,904	5,377,380	
Retained earnings, end of year . . . . .	\$ 35,095,260	\$ 31,881,263	
Net income per common share—based on weighted average of common shares outstanding . . . . .	\$1.56	\$1.47	\$1.47

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



# The Scott & Fetzer Company and subsidiary companies

## Source and Application of Funds Statement

for the years ended November 30, 1970 and 1969

### Source of Funds

	Year Ended November 30	
	1970	1969 (Note 1)
From operations:		
Net income . . . . .	\$ 8,863,901	\$ 8,456,144
Depreciation . . . . .	2,062,069	1,925,233
Deferred federal income taxes, net . . . . .	7,052	78,156
Total from operations . . . . .	<b>10,933,022</b>	10,459,533
Sale of common stock under stock options . . . . .	—	66,300
Reduction in cash surrender value of life insurance . . . . .	39,535	688,741
Other, net . . . . .	241,063	(43,501)
	<b>\$11,213,620</b>	<b>\$11,171,073</b>

### Application of Funds

Cash dividends . . . . .	\$ 4,532,328	\$ 4,519,033
Additions to property, plant and equipment . . . . .	3,784,230	3,132,601
Payments on long-term debt . . . . .	546,319	522,562
Increase (decrease) in intangibles from acquisitions . . . . .	(44,220)	638,249
Purchase of treasury shares . . . . .	1,340,504	853,875
Increase in working capital . . . . .	1,054,459	1,504,753
	<b>\$11,213,620</b>	<b>\$11,171,073</b>

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



# Notes to Financial Statements

## 1. Acquisition in 1970:

During 1970 in a transaction accounted for as a pooling of interests, the Company, in exchange for 36,000 shares, acquired in a statutory merger all of the net assets of Cleveland Wood Products Co., Inc. The financial statements give effect to the merger as though completed December 1, 1968, and the financial position at November 30, 1970 and 1969 and the results of operations for the years then ended include the data of the acquired company. The column in the Statement of Income and Retained Earnings entitled "1969 Annual Report" sets forth the operations of the Company as shown by its 1969 report.

## 2. Long-Term Liabilities:

Long-term debt at November 30, 1970 consists of the following:

	Current	Noncurrent
Bank loans:		
5½%, due 1970-1972 . . . . .	\$150,000	\$ 300,000
6%, due 1971-1974 . . . . .	150,000	450,000
Mortgage notes:		
5¾%, due 1970-1979 . . . . .	17,430	179,871
5½%, due 1970-1981 . . . . .	31,145	396,719
8%, due 1970-1972 . . . . .	4,747	1,187
Chattel mortgage, equipment . . . . .	4,418	—
Insurance company loan, 6%, due 1970-1980 . . . . .	175,000	2,300,000
Obligation under Lease/Purchase Agreement . . . . .	15,133	84,096
	<u>\$547,873</u>	<u>\$3,711,873</u>

The 5½% bank loan due 1970-1972 requires annual payments of \$150,000 on December 31 of 1970 to 1972, inclusive. The other bank loan is due in quarterly installments of \$37,500 plus interest at ½% over the prime rate, but not less than 5½% nor more than 6%.

The bank loan agreements provide for pre-payment in full or part without premium, and include negative covenants that the Company will not permit its consolidated net working capital to fall below \$5,000,000 or have borrowings from other banks or other lending institutions in excess of \$10,000,000. The Company, further, has agreed not to pay cash dividends or purchase or retire any of its own shares, if the aggregate so expended for such purposes subsequent to December 1, 1967 shall exceed \$5,000,000 plus 80% of the consolidated net earnings after December 1, 1967. Retained earnings, unrestricted for the payment of cash dividends or purchase or retirement of shares, amounted to \$9,820,612 at November 30, 1970.

The mortgage notes require aggregate monthly payments of \$6,220 including interest.

The insurance company loan is payable in annual installments of \$175,000 on December 15, 1970 and \$200,000 annually thereafter, with a balance of \$500,000 due in 1980.

The building Lease/Purchase Agreement provides that the Company will pay a monthly rental of \$1,664 to 1976. The Company has the right to purchase the building at any time during the lease period for an amount equal to the present value of total unpaid rentals, discounted at 4%, or for \$1 at the expiration of the agreement. The Company has accounted for the transaction as a purchase and the discounted amount of this obligation has been reflected as a liability in the balance sheet.

## 3. Stock Options:

At November 30, 1970, 184,260 shares of common stock were reserved for issuance under a qualified stock option plan adopted in 1967.

Under the 1967 plan, the option price may not be less than market value at the date of grant. The options are exercisable one-fourth each year and expire five years after grant.

A summary of the status of options granted is as follows:

	Year ended November 30, 1970			
	Option Price	Balance Nov. 30, 1969	Granted	Terminated
Granted:				
April 24, 1967 . . . . .	\$15.50	31,860		2,700
December 16, 1968 . . . . .	29.875	27,300		
December 17, 1969 . . . . .	13.50		23,400	5,000
		<u>59,160</u>	<u>23,400</u>	<u>7,700</u>
				<u>18,400</u>
				<u>74,860</u>

On December 15, 1970 additional options were granted on 46,600 shares at an option price of \$14.75 per share.

## 4. Retirement Pension Plans:

The Company and its subsidiaries have in effect various pension and retirement plans (trusteed, unfunded and profit-sharing) for salaried and hourly personnel at different divisions. The total pension and retirement plan expense for the year was \$1,144,000, which includes, as to certain of the plans, amortization of prior service cost over periods ranging from 25 to 40 years. The comparable expense for 1969 was \$1,366,000. The Company's policy is to fund pension costs accrued. The aggregate actuarially computed value of vested benefits exceeded the total pension fund and balance sheet accruals by approximately \$2,388,000 at November 30, 1970.

## 5. Depreciation:

Depreciation amounted to \$2,062,069 and \$1,925,233, respectively for the years ended November 30, 1970 and 1969. Both the straight line and accelerated methods are used for computing depreciation expense, the straight line method being used for the majority of the assets.

## 6. Commitments and Contingent Liabilities:

The Company occupies certain premises under terms of leases which expire at various dates to 1988. Annual rentals under the leases aggregate approximately \$650,000 plus certain taxes, assessments and other specified charges.

Under terms of an agreement with a financial institution, the Company is contingently liable in the amount of \$275,000 at November 30, 1970 with respect to receivables sold with recourse. It is not expected that losses, if any, which might be sustained as a result of this agreement will have a material effect on the financial statements.

Any liability that may result from lawsuits and other claims pending against the Company and its subsidiaries as of November 30, 1970 will not be material in the opinion of counsel for the Company.

## 7. Capital Stock:

Changes in the common stock and additional capital accounts during the two years ended November 30, 1970 were as follows:

	Common Stock			Additional Capital
	Treasury Shares	Issued Shares	Stated Value	
Balance, November 30, 1968 . . . . .	( 5,200)	5,740,406	\$7,169,007	\$5,699,154
Sale of stock under options . . . . .	5,200	2,600	9,750	56,550
Stock acquired . . . . .	( 63,796)		( 79,745)	( 33,456)
Balance, November 30, 1969 . . . . .	( 63,796)	5,743,006	7,099,012	5,722,248
Pooling of interests . . . . .	36,000		45,000	( 20,000)
Stock acquired . . . . .	( 99,100)		(123,874)	( 99,054)
Balance, November 30, 1970 . . . . .	<u>(126,896)</u>	<u>5,743,006</u>	<u>\$7,020,138</u>	<u>\$5,603,194</u>

# Accountants' Report

To the Board of Directors and Stockholders  
The Scott & Fetzer Company

We have examined the consolidated balance sheet of The Scott & Fetzer Company and subsidiary companies as at November 30, 1970 and the related consolidated statement of income and retained earnings, and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the consolidated financial statements for the year ended November 30, 1969.

In our opinion, the above referred to financial statements present fairly the consolidated financial position of The Scott & Fetzer Company and subsidiary companies at November 30, 1970 and 1969 and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Lybrand, Ross Bros. + Montgomery*

Cleveland, Ohio  
January 15, 1971



# The Scott & Fetzer Company

## Directors/Officers

### **DIRECTORS**

**RAYMOND E. CHANNOCK**

President, Acme-Cleveland Corporation, Cleveland, Ohio

**NILES H. HAMMINK**

President and Chief Executive Officer

**JAMES M. HEYNE**

Group Vice President

**QUIGG LOHR**

Executive Vice President—Administration and Secretary

**C. B. McDONALD**

Managing Partner, McDonald & Company, Cleveland, Ohio  
Investment Bankers

**B. R. PINNEY**

Executive Vice President—Operations

**THOMAS W. SMITH**

Managing Partner, Whitcom Investment Company  
New York City, New York  
Investment Bankers

\* \* \*

Honorary Director

**GEORGE D. FINNIE**

Managing Partner  
Wilson, Finnie & Company  
Cleveland, Ohio  
Certified Public Accountants

### **OFFICERS**

**NILES H. HAMMINK**

President and Chief Executive Officer

**QUIGG LOHR**

Executive Vice President—Administration and Secretary

**B. R. PINNEY**

Executive Vice President—Operations

**F. J. GUBERNOT**

Group Vice President

**J. M. HEYNE**

Group Vice President

**R. W. MINETT, JR.**

Group Vice President

**K. D. HUGHES**

Treasurer

### **CORPORATE OFFICE**

14701 Detroit Avenue  
Lakewood, Ohio 44107

### **LEGAL COUNSEL**

Jones, Day, Cockley & Reavis  
Union Commerce Building  
Cleveland, Ohio 44115

### **ACCOUNTANTS**

Lybrand, Ross Bros. & Montgomery  
Union Commerce Building  
Cleveland, Ohio 44115

### **TRANSFER AGENTS**

Society National Bank of  
Cleveland, 127 Public Square  
Cleveland, Ohio 44114

The Chase Manhattan Bank, N. A.  
1 New York Plaza  
New York City, New York 10005

### **REGISTRARS**

Central National Bank of  
Cleveland, East Ninth Street  
and Superior Avenue  
Cleveland, Ohio 44114

Bankers Trust Company  
485 Lexington Avenue  
New York City, New York 10005

### **COMMON STOCK**

Scott & Fetzer common shares are traded on the New York Stock Exchange, the Midwest Stock Exchange and the Pacific Coast Stock Exchange. The ticker symbol for the shares is SFZ.

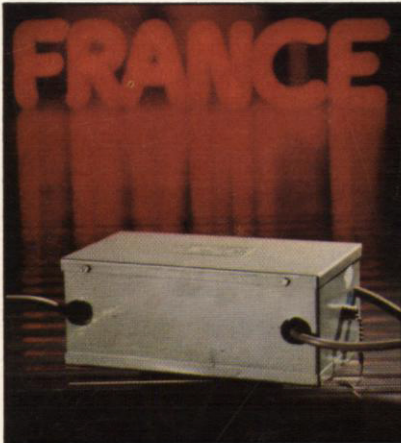
### **ANNUAL MEETING**

The annual meeting of shareholders will be held on Tuesday, March 16, 1971, at 11 a.m., EST, in the Corporate Offices, 14701 Detroit Avenue, Lakewood, Ohio.

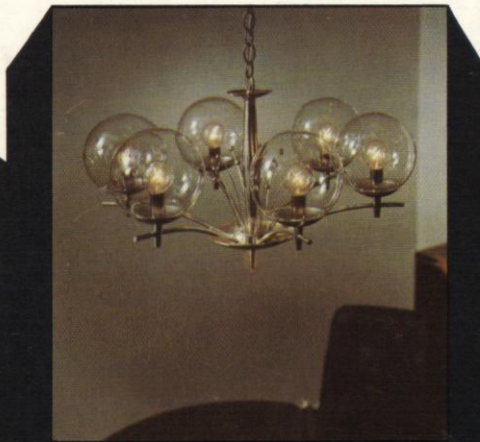


The Scott  
& Fetzer  
Company

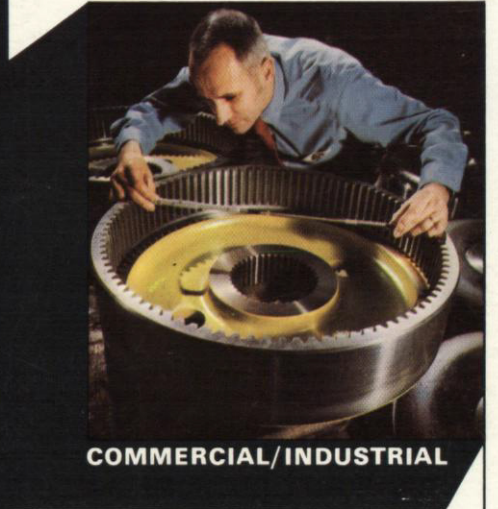
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Lakewood, Ohio 44107  
Area 216/228-6200