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SCOTT & FETZER CO

10-K

NYS 1974

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MICROFICHE BY DISCLOSURE INCORPORATED

Scott & Fetzer Co. [Ohio] Co: S155700000
14701 Detroit Avenue
Lakewood, Ohio 44107
SEC File No: 1-5629 Exch: NYSE/SFZ
IRS No: 34-0517040 CUSIP: 8093676
Fiscal Year Ends: 11/30 SIC No: 363
Regst S-16 Filed: 1/31/74
Reg. No: 2-50140
¤ Common stock offering; Shareholder offering
Volume of Securities Registered: 121,675 shares
Volume to be Offered: 121,675 shares
Proposed Price: Various
Principal Underwriter: None
Legal Counsel: Jones, Day, Cockley & Reavis
Selling shareholders are former officers and shareholders of Streamway Products, Inc. and Lakewood Industries, Inc. who acquired shares when these companies were subsequently acquired by Scott & Fetzer Co.
Exhibits: None indexed
Proxy Dated: 2/12/74 Rec: 2/13/74
Meeting: Annual 3/19/74
Exceptional Subjects: None
Exhibits: None
ARS For: 11/30/73 Rec: 2/13/74
Auditor: Coopers & Lybrand
Revenues: $270,714,000 Earnings: $20,869,000/$2.76
Assets: $136,076,000 Net Worth: $83,837,000
Extr. Items: None Shareholders: 8,498
Abstract: Sales increased 18%, earnings rose 15%. Acquired Powerwinch/Ja-Son and Carefree. Established marketing license with Japanese firm. Participated in new joint venture to import bulbs and light fixtures.
10-K For: 11/30/73 Rec: 2/28/74
Description of Business: Manufactures Kirby vacuum cleaners and other floor maintenance equipment and supplies. Produces water contol equipment for mobilehomes; utility and service truck bodies for on-the-road equipment; cutlery; plastic containers; connectors and fittings for compressed gas application; and frames for direct dial telephone installations. Manufactures leather goods; chain saws; scissors; Paint spraying units; recreational hitching and towing equipment; powerized windlasses, hoists, and winches for marine applications; and zinc die cast electrical fittings and transformers. Produces television antennas, rotors, couplers and mounting devices, and lighting fixtures all sold by division salesmen.
¤ Home vacuum cleaner mfr; Industrial vacuum cleaner mfr; Floor maintenance equipment mfr
¤ Electrical equipment mfr; Transformer mfr
¤ Television equipment mfr; Television antenna mfr
¤ Lighting fixture mfr; Table lamp mfr
¤ Plastic container mfr
¤ Leather goods mfr
¤ Sprayer mfr; Painting equipment mfr
¤ Faucet mfr; Valve mfr; Pipe fitting mfr; Fluid handling equipment mfr
¤ Truck body mfr; Automotive parts mfr; Hydraulic system mfr
¤ Cutlery mfr
¤ Plastic container mfr
¤ Telephone equipment mfr
RESUME CONTINUED ON NEXT FRAME

- ¤ Leather goods mfr
- ¤ Saw mfr; Cutting tool mfr
- ¤ Photographic equipment wholesaling; Plastic identification card mfr
- ¤ Sprayer mfr; Painting equipment mfr
- ¤ Electrical equipment mfr; Transformer mfr; Electrical supply mfr
- ¤ Television equipment mfr; Television antenna mfr
- ¤ Electrical equipment wholesaling
- ¤ Lighting fixture mfr; Table lamp mfr
- ¤ Fractional horsepower motor mfr

Auditor's Report: Unqualified

Financial Statements and Notes:

- ¤ Merger and acquisition; *Ninety-Niner Corp.; Poolings of interests
- ¤ Merger and acquisition; *Ninety-Niner Corp.; Awning mfr
- ¤ Merger and acquisition; *Powerwinch Corp.; Poolings of interests
- ¤ Merger and acquisition; *Powerwinch Corp.; Automotive power tool mfr
- ¤ Merger and acquisition; *John Ahlbin & Sons, Inc.; Poolings of interests
- ¤ Merger and acquisition; *John Ahlbin & Sons, Inc.; Scissors mfr
- ¤ Merger and acquisition; *Carefree Corp.; Poolings of interests
- ¤ Merger and acquisition; *Carefree Corp.; Awning mfr
- ¤ Hybrid foreign translation methods; Foreign exchange parity; Fixed assets; Depreciation costs
- ¤ Hybrid foreign translation methods; Year end currency exchange rates; Current assets; Current liabilities
- ¤ Lease commitments; Present value
- ¤ Debt financing; Short term debt; Subsequent events

Exhibits:

- ¤ Ex: Merger and acquisition agreements; *Carefree Corporation; *The Ninety-Niner Corporation
- ¤ Ex: Merger and acquisition agreements; *John Ahlbin & Sons, Incorporated; *The Power-Winch Corporation

10-Q For: 2/28/74 Rec: 4/10/74

Prspct Eff: 2/22/74 Rec: 2/26/74

Reg. No: 2-50140

Changes from Reg: None

Scott & Fetzer Co. [Ohio] Co: S155700000
14701 Detroit Avenue
Lakewood, Ohio 44107
SEC File No: 1-5629 Exch: NYSE/SFZ
IRS No: 34-0517040 CUSIP: 8093676
Fiscal Year Ends: 11/30 SIC No: 363

10-Q For: 5/31/74 Rec: 7/25/74

Prspct Eff: 6/26/74 Rec: 7/1/74
Related Reg. No.: 2-47510
Covers 530,840 shares of Common Stock offered under the 1967 and 1973 stock option plans.

Regst S-16 Filed: 6/28/74
Reg. No: 2-51467
79,996 shares of Common Stock offered by nine security holders. Selling shareholders acquired Company stock in mergers of Carefree Corp. and The Ninety-Niner Corp. into Company 9/73.
Principal Underwriter: None
Legal Counsel: Jones, Day, Cockley & Reavis
¤ Common stock offering; Shareholder offering

Prspct Eff: 7/19/74 Rec: 7/23/74
Related Reg. No.: 2-51467
Covers 79,996 shares Common Stock offered by selling shareholders consisting of 13 individuals who acquired shares in 1973 merger with Carefree Corp. and The Ninety-Niner Corp.

8-K For: 8/31/74 Rec: 9/11/74
Ind. Air Pollution Control Board held hearings on alleged air pollution by Campbell-Hausfeld Div.
Entered $30 million revolving credit agreement with National City Bank, et al.; drew down $24.6 million.
¤ Ecological regulatory proceedings; Air pollution; Public hearings
¤ Long term bank loans; Revolving lines of credit; *National City Bank, et al.
Exhibits:
¤ Ex: Revolving credit agreements; *8/1/74; *National City Bank, et al.

Regst S-16 Filed: 10/7/74
Reg. No: 2-52112
44,694 shares of Common Stock to be offered by shareholders. Selling shareholders are two individuals who acquired their shares in 1972 merger of Western Enterprises, Inc. into Company.
Principal Underwriter: None
Legal Counsel: Jones, Day, Cockley & Reavis
¤ Common stock offering; Shareholder offering

10-Q For: 8/31/74

Prspct Eff: 10/31/74
Related Reg. No: 2-52112
Covers 44,694 shares of Common Stock offered by two selling shareholders who acquired stock in Company's 8/16/72 merger with Western Enterprises, Inc. Some or all of these shares may be pledged to Lorain National Bank, Lorain, Ohio in connection with loans made to shareholders by pledgee.

S 155-700

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Rec'd SEC.
Feb. 28, 1975

FORM 10-K

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

For the fiscal year ended November 30, 1974 — Commission File Number 0-231

THE SCOTT & FETZER COMPANY
(Exact name of Registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	34-0517040 (I.R.S. Employer Identification No.)
14600 Detroit Avenue, Lakewood, Ohio (Address of principal executive offices)	44107 (Zip Code)

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DISCLOSURE INCORPORATED

Registrant's telephone number, including area code: (216) 228-6200

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

Title of each class	Name of each exchange on which registered
Common Shares Without Par Value ($1.25 Stated Value)	New York Stock Exchange, Inc. Midwest Stock Exchange Pacific Stock Exchange, Inc.

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

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

PART 1

Except as otherwise stated, the information contained in this report is as of November 30, 1974, the close of the fiscal year of the Registrant ("Scott & Fetzer" or "Company").

Item 1. BUSINESS

Scott & Fetzer is a diversified company whic manufactures and sells products in the floor care, commercial/industrial, leisure time, electrical and lighting markets. One of Scott & Fetzer's principal product lines is vacuum cleaners and related accessories primarily for home use sold under the *Kirby* and other brand names. Scott & Fetzer has 31 operating units most of which were independent businesses acquired subsequent to 1963.

Founded in 1914, Scott & Fetzer was incorporated under the laws of the State of Ohio on November 30, 1917. Its general offices are located at 14600 Detroit Avenue, Lakewood, Ohio 44107, and its telephone number is (216) 228-6200. All references to Scott & Fetzer relate to Scott & Fetzer and its subsidiaries and their predecessors, unless the context indicates otherwise.

Lines of Business

The following table sets forth the approximate amount and percentage of total sales and income before taxes attributable to each line of business for each of the last five fiscal years. Such figures and related information reflect the acquisition of companies accounted for as poolings of interests and as purchases, and the disposition of businesses. Scott & Fetzer's lines of business are based in part on the similarity of certain of its products and in part on the similarity of the markets in which its products are sold. Such data reflect the allocation of certain expenses and other arbitrary determinations.

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The Scott & Fetzer Company

Line of Business	1970 Amount	1970 Per Cent of Total	1971 Amount	1971 Per Cent of Total	1972 Amount	1972 Per Cent of Total	1973 Amount	1973 Per Cent of Total	1974(2) Amount	1974(2) Per Cent of Total
	Year ended November 30, (In thousands of dollars)									
Floor Care										
Sales	$ 43,117	27%	$ 51,228	27%	$ 61,700	27%	$ 75,303	28%	$ 72,885	25%
Income Before Taxes(1)	7,839	35%	11,174	38%	14,240	39%	16,620	41%	11,613	45%
Commercial/Industrial										
Sales	$ 52,294	32%	$ 60,298	32%	$ 69,221	30%	$ 77,032	29%	$ 80,625	28%
Income Before Taxes(1)	5,938	26%	8,623	29%	8,980	24%	10,104	25%	3,293	13%
Leisure Time										
Sales	$ 21,991	14%	$ 29,849	16%	$ 42,113	18%	$ 54,745	20%	$ 64,206	22%
Income Before Taxes(1)	2,327	10%	3,981	13%	6,833	19%	7,043	18%	4,270	16%
Electrical										
Sales	$ 24,697	15%	$ 25,919	14%	$ 29,764	13%	$ 33,016	12%	$ 42,279	14%
Income Before Taxes(1)	4,574	21%	4,228	14%	4,847	13%	4,607	12%	5,974	23%
Lighting										
Sales	$ 19,013	12%	$ 21,436	11%	$ 26,563	12%	$ 30,618	11%	$ 31,263	11%
Income Before Taxes(1)	1,849	8%	1,716	6%	1,822	5%	1,690	4%	781	3%
Totals										
Sales	$161,112	100%	$188,730	100%	$229,361	100%	$270,714	100%	$291,258	100%
Income Before Taxes(1)	22,527	100%	29,722	100%	36,722	100%	40,064	100%	25,931	100%

(1) Income before Federal, state, local and Canadian income taxes.

(2) During 1974 Scott & Fetzer instituted a change in its method of accounting for a substantial portion of its inventory. See Note 2 to Financial Statements and "Management's Discussion and Analysis of the Summary of Operations -- Fiscal 1974 Compared to Fiscal 1973".

DISCLOSURE(R) IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

During the fiscal year ended November 30, 1974, a major national retailing concern purchased products from various divisions of Scott & Fetzer which in the aggregate accounted for approximately 12% of total sales for such fiscal year. This national retailer has been a purchaser of Scott & Fetzer's products (including those of acquired companies) for periods varying between approximately 18 and 38 years depending on the particular type of product. A major portion of the products purchased by this retailing concern was within the Leisure Time line of business. No other customer accounted for a material percentage of total sales. Scott & Fetzer does not believe that the loss of any other single customer would have a material adverse effect on its total business.

Floor Care

Scott & Fetzer manufactures and distributes a wide variety of vacuum cleaners and other floor maintenance equipment and supplies for consumer, industrial and institutional use. It also manufactures and sells to other manufacturers certain component parts incorporated in such equipment.

Floor maintenance equipment for consumer use is sold primarily under the *Kirby* name, and certain other floor maintenance equipment for such use is sold under the private labels of customers. Scott & Fetzer, which entered the household vacuum cleaner field in 1919, manufactures and sells the *Kirby* upright vacuum cleaner and related floor care and other accessories. Kirby Division products are sold exclusively by the direct sales method in the home through approximately 700 independent distributors located throughout the United States and Canada which have a combined direct sales force of over 11,500 persons. The Kirby Division's sales to distributors are substantially all for cash. In fiscal 1974, no one distributor accounted for more than 2% of Kirby Division sales. Domestic sales are fairly evenly distributed throughout the country, based upon population densities. The sale of vacuum cleaners and related accessories primarily for home use under the *Kirby* and other names, as well as private labels, accounted for approximately 20%, 22%, 22%, 23% and 20% of total sales of Scott & Fetzer for each of the fiscal years 1970 through 1974, respectively.

In addition to the Kirby products, Scott & Fetzer manufactures and sells under the *American-Lincoln* and *Wilshire* names an extensive line of power-driven industrial and institutional floor maintenance equipment and related supplies including industrial-type polishers, sanders, wet floor scrubbers, tank-type vacuum cleaners and sweepers ranging in size up to, and including, tractor mounted scrubbers and sweepers. The Company also manufactures motors and roller and flat brushes for vacuum cleaners, polishers and other floor maintenance equipment.

Commercial/Industrial

Scott & Fetzer manufactures a variety of products having commercial and industrial applications, the major items of which are air compressors, components of tracks for military vehicles, and leather goods which are sold to the mass merchandise market. Scott & Fetzer also manufactures utility and service truck bodies and related equipment, suspension system components for vehicles, as well as plumbing fixtures utilized primarily in mobile homes.

One of Scott & Fetzer's divisions markets color photo-identification systems for drivers' licenses currently in use by motor vehicle departments of 20 states. Similar systems are marketed for credit cards, college and industrial identification cards, and other personal identification applications.

In addition, Scott & Fetzer manufactures and sells cutlery and other household items primarily for promotional use by a variety of businesses engaged in the distribution of consumer products. Scott & Fetzer also makes and sells injection-molded plastic items and assorted plastic containers, as well as chain saws, scissors, shears and trimmers.

Also within the Commercial/Industrial line Scott & Fetzer manufactures connectors and fittings for compressed gas applications and various precision equipment for use in processing industries for the measurement of pressure, vacuum and flow of liquids.

Scott & Fetzer's commercial/industrial products are sold through a variety of distribution systems including wholesalers, jobbers and direct sales.

Leisure Time

Scott & Fetzer manufactures primarily for home use complete, as well as component parts of, spraying units, including small compressors, for the spraying of paints and other liquids. These products are sold by mass merchandisers under private labels and by hardware stores under the *Campbell-Hausfeld* brand name. For the fiscal years 1970 through 1974, the sale to the leisure time market of complete spraying units and components accounted for approximately 7%, 9%, 11%, 12% and 13%, respectively, of total sales of Scott & Fetzer.

For the leisure time market Scott & Fetzer also manufactures and markets primarily through independent distributors hitching and towing equipment, including trailer hitches, balls, couplers and other related towing items, and recreational vehicle awnings.

In addition, Scott & Fetzer manufactures and markets primarily through independent distributors electrical and mechanical winches for marine and other applications.

Electrical

Scott & Fetzer manufactures and sells numerous electrical components and products, including zinc die cast electrical fittings and transformers and ballasts for indoor and outdoor electrical signs. It also makes and sells timing devices for residential and commercial automatic laundry equipment, fractional horsepower motors for electric appliances and other products, and ignition systems for residential and industrial oil furnaces.

Other electrical products manufactured and sold by Scott & Fetzer include couplers, a specialty line of armored cable terminators, and various other items used principally in connection with high voltage electric cables, as well as a variety of fittings for use with low voltage electric cables.

Among its other electrical products are television antennas and accessory equipment, both for conventional and mobile home use. Scott & Fetzer is also engaged in the manufacture and sale of both weather-proof and explosion-proof fittings, junction boxes, instrument housings and control stations for electrical distribution systems. Scott & Fetzer's electrical products are generally marketed through distributors.

Lighting

Scott & Fetzer produces and sells in the United States and Canada numerous designs and models of ceiling and wall lighting fixtures for residential and commercial applications. These fixtures are sold under the *Virden, Prestige* and *Atlas* brand names primarily through electrical fixture distributors.

Through its Rembrandt Lamp Division, Scott & Fetzer manufactures and sells table, floor and swag lamps primarily for residential use. Such products are sold principally by manufacturers' representatives and division salesmen located in major American cities to furniture dealers, department stores, and interior decorators.

Consumer Protection

Numerous states and municipalities have enacted laws, and the Federal Trade Commission has promulgated a regulation effective June 7, 1974, which generally afford the consumer a brief period of time in which to disaffirm without cause a direct sale made in the home. In addition, other statutes and ordinances require the licensing or registering of in-the-home salesmen and generally provide other consumer safeguards. In the opinion of Scott & Fetzer's management, such laws and regulations have not had a material adverse effect on the sales of any of the Company's divisions.

In November 1974 the Consumer Product Safety Commission notified the Campbell-Hausfeld Division that high pressure "airless" paint spray products may be hazardous to the consumer and would be studied for possible Commission action, which could include the imposition of mandatory safety rules and the recall of such products already sold. In the opinion of the management of Scott & Fetzer, sales of high pressure "airless" paint spray products are not material to Scott & Fetzer's overall operations.

Acquisitions and Dispositions

During the 5 fiscal years ending November 30, 1974, Scott & Fetzer completed the acquisition of 17 businesses located throughout the United States and Canada of which 13 were accounted for as poolings of interest and 4 were accounted for as purchases. As a result of these acquisitions the Leisure Time line of business was created, and the Commercial/Industrial line of business was substantially augmented. The consideration paid by Scott & Fetzer in connection with these acquisitions consisted of approximately

$3,777,000 in cash and approximately 1,852,000 Common Shares of Scott & Fetzer having an approximate aggregate market value of $61 million at the respective times of issuance.

In order to eliminate marginal operating units, Scott & Fetzer during 1972 sold the assets of the Bedford Gear Division and the assets of the Snyder Body product line of Stahl Metal Products Division and during 1974 sold the assets of the Lakewood Industries Division and the stock of the Emmons Tool & Die Co. Limited. The disposition of these units did not materially affect the Company's sales or earnings.

Competition

Although Scott & Fetzer believes it is among the leading manufacturers in certain of its major product lines, the Company's products are sold in many markets and there is substantial competition in each of the markets it serves. There are a number of companies engaged in manufacturing each class of products made by Scott & Fetzer.

Backlog

Scott & Fetzer does not believe that the dollar amount of backlog of orders and related information is material for an understanding of its business. A substantial portion of Scott & Fetzer's operations involve the recurring production of standard items that are shipped to the customer relatively shortly after an order is received by Scott & Fetzer.

Raw Materials and Supplies

Raw materials required for Scott & Fetzer's various products are commonly available materials such as steel, zinc, aluminum, brass and copper, which are generally purchased locally from producers and distributors of such items. Suppliers of component parts and castings are located in many areas throughout the country. Scott & Fetzer does not depend on a single source of supply for its raw materials, component parts or supplies and believes that its sources of supply are adequate.

Energy

Scott & Fetzer utilizes oil, gas and electricity as its principal energy sources. There has not been any material disruption of production at any of the Scott & Fetzer's plants because of energy shortages. However, there is no assurance that energy shortages in the future will not have an adverse effect on Scott & Fetzer either directly, or indirectly by reason of their effect on customers or suppliers. Scott & Fetzer has taken steps to conserve energy and to minimize the impact of possible shortages.

Environmental Controls

Scott & Fetzer believes its facilities to be generally in compliance with environmental protection requirements. See "Item 5. Legal Proceedings" below. Expenditures for environmental compliance have not been and are not expected to have a material effect on the Company's capital expenditures, earnings and competitive position.

Product Development, Patents and Trademarks

Scott & Fetzer is continuously engaged in the refinement and development of its various product lines, development of new applications for existing products, and the development of new products. Scott & Fetzer's expenditures during the fiscal year 1974 relating to such product development were not material.

Scott & Fetzer uses in its business various trademarks, trade names, patents, trade secrets, and licenses. While a number of these are important to Scott & Fetzer it does not consider a material part of its business to be dependent on any one or group of them.

Employees

As of January 1, 1975, Scott & Fetzer employed approximately 6,300 persons, of whom approximately 1,400 were salaried and approximately 4,900 were hourly. Approximately 3,100 of the hourly employees in 25 of Scott & Fetzer's 55 plants are represented by labor organizations. Scott & Fetzer has enjoyed generally good relations with its employees. Strikes at two of Scott & Fetzer's divisions during 1974 of three and five weeks duration, respectively, were satisfactorily settled but resulted in lost production which reduced earnings in the third quarter of the 1974 fiscal year. Approximately 255 employees are covered by 5 labor contracts which are scheduled for renegotiation during fiscal 1975.

In addition to an employee benefits program which includes paid vacations, insurance, disability benefits, hospitalization benefits, and medical benefits, Scott & Fetzer has in effect for its divisions and subsidiaries various pension and retirement plans for salaried and hourly personnel, including non-contributory trusteed plans, and profit sharing retirement plans. See Note 8 to Financial Statements for information concerning contributions by Scott & Fetzer under such plans, unfunded past service cost, and other data.

Item 2. Summary of Operations:

	(Dollars in Thousands)				
	Year Ended November 30,				
	1970	1971	1972	1973	1974
Net sales	$ 161,112	$ 188,730	$ 229,361	$ 270,714	$ 291,258
Cost of goods sold (4)	115,176	133,159	163,318	195,589	225,393
Interest expense:					
Long-term debt	540	460	337	219	1,070
Other interest	250	167	196	431	1,523
	790	627	533	650	2,593
Provision for income taxes:					
State and local	321	1,137	1,538	1,670	1,203
Federal and Canadian:					
Current	10,822	13,919	16,867	17,115	9,907
Deferred	7	(180)	128	410	1,125
	11,150	14,876	18,533	19,195	12,235
Net income (4)	$ 11,377	$ 14,846	$ 18,189	$ 20,869	$ 13,696
Per share of Common stock (5):					
Earnings	$1.53	$1.97	$2.40	$2.76	$1.81
Dividends	$ .80	$ .80	$ .83	$1.00	$1.00
Average number of Common and common equivalent shares (5)	7,413,920	7,537,050	7,563,354	7,571,100	7,552,720

(1) Included in the summary of operations for all years are the results of operations for the five-year period of businesses acquired in transactions accounted for as poolings of interest. There have been no poolings since 1973. The results of four businesses acquired in transactions accounted for as purchases are included only from the respective dates of acquisition in 1971, 1972 and 1974, and are not material. Also included in the summary of operations to dates of disposition are the results of five businesses disposed of since 1969, which were not material.

(2) Provision for income taxes combines the historical tax expense of individual companies. Investment tax credits were not material in amount and have been applied as reductions of income taxes currently payable.

(3) The income statements for the five years ended November 30, 1974 previously reported by Scott & Fetzer have been restated to reflect retroactively the results of all acquisitions during that period. Sales and net income as originally published and the amounts retroactively included as a result of poolings of interests subsequent to the original publication are as follows:

	(Dollars in Thousands)				
	1970	1971	1972	1973	1974
Net sales:					
Originally published	$116,368	$169,036	$223,610	$270,714	$291,258
As a result of subsequent poolings	44,744	19,694	5,751		
	$161,112	$188,730	$229,361	$270,714	$291,258
Net income:					
Originally published	$ 8,864	$ 13,368	$ 17,722	$ 20,869	$ 13,696
As a result of subsequent poolings	2,513	1,478	467		
	$ 11,377	$ 14,846	$ 18,189	$ 20,869	$ 13,696

(4) In the year ended November 30, 1974, the Company changed the method of inventory valuation for a substantial portion of its domestic inventories from the first-in, first-out "FIFO" method to the last-in, first-out, "LIFO" method. The effect of this change was to reduce net income for 1974 by approximately $4,250,000 or $.55 per share. See Note 2 of Notes to Financial Statements.

(5) Earnings per share data is computed on the basis of the average shares outstanding each year including common equivalent shares, after retroactive adjustment for shares issued in connection with mergers and aquisitions accounted for as poolings of interests. Common equivalent shares (re stock options) were 28,405 for 1973, 32,934 for 1972 and 32,700 for 1971.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

Fiscal 1974 Compared To Fiscal 1973.

In 1974 the Company's sales increased $20,544,000 or 8% above 1973 sales primarily due to an increase in selling prices. However, net income dropped 34% from $20,869,000 in 1973 to $13,696,000 in 1974 principally because of increased cost of goods sold due to the shift to the LIFO method of inventory valuation and increased costs not fully recovered by increased selling prices, substantially increased interest expense and the effect of two work stoppages.

In 1974 the cost of goods sold increased approximately 15% reflecting higher costs of labor, raw materials and purchased parts. Scott & Fetzer incurred increased interest expense in 1974 over 1973 of approximately $1,900,000 due to higher bank borrowings required to finance the higher levels of inventories and receivables.

The Company's change in method of accounting for a substantial portion of its inventory from the FIFO to the LIFO method was made to more accurately match current costs with sales and to minimize the effect of inflation on inventories and earnings. The effect of this change was to decrease net income by approximately $4,250,000 or $.56 per share.

The decrease in the actual amount of tax resulted from the decrease in the amount of pretax income. However, the effective tax rate (Federal, state, local and Canadian) in 1974 was 47.2% as compared with 47.9% in 1973. This decrease was due to higher investment tax credits and increased export activities of Scott & Fetzer's DISC subsidiary. The increase in deferred Federal taxes was due largely to the excess of depreciation for tax purposes over depreciation for financial reporting purposes of a substantially increased asset base in 1974 versus 1973.

Fiscal 1973 Compared To Fiscal 1972.

Sales volume increased $41,353,000 or 18% in 1973 as compared to 1972. This increase principally resulted from increased unit sales, particularly in the floor care and leisure time markets. Only a small portion of the increase resulted from higher selling prices because Federal controls on prices were in effect during 1973. Net income for 1973 was $20,689,000 or 15% higher in 1973 than in 1972. This increase primarily resulted from the increased sales, although the full effect of the increased sales was partially offset by the increased cost of goods sold.

Cost of goods sold was approximately $33,271,000 or 20% higher in 1973 than in 1972 reflecting the increase of sales volume, higher labor costs and increased prices which the Company had to pay to its suppliers.

Scott & Fetzer's effective tax rate (Federal, state, local and Canadian) decreased from 50.5% in 1972 to 47.9% in 1973. This decrease was due principally to greater investment tax credits. Despite this decrease in the effective rate, the actual amount of taxes paid increased approximately $663,000 or 4% because of greater pretax income.

Item 3. PROPERTIES

Scott & Fetzer's various operations are conducted in 55 facilities in 48 locations in 14 states and in the Canadian provinces of Ontario and Quebec. Many of Scott & Fetzer's facilities are relatively new and modern, while other facilities have been in operation for a substantial number of years. For the three fiscal years 1972 through 1974, Scott & Fetzer has invested approximately $33,200,000 for new facilities, automation, expansion and cost reduction equipment. During the 1974 fiscal year Scott & Fetzer began operations in, or commenced construction of, 5 new manufacturing plants and 6 additions to existing plants. The manufacturing capacity of Scott & Fetzer's facilities is generally adequate at current levels of operation. Various of Scott & Fetzer's facilities, including several of the new facilities, are leased, as to some of which Scott & Fetzer has options to purchase. For additional information concerning the lease obligations of Scott & Fetzer see Note 9 to the Financial Statements.

Item 4. PARENTS AND SUBSIDIARIES

There are no parents of the Registrant. The principal subsidiaries of the Registrant are as follows:

Subsidiaries of the Registrant	State of Incorporation	Percentage of Stock Owned
Dek Process of La., Inc.	Louisiana	100%
Melben Products Co., Inc.	Ohio	100
SFZ International Limited	Ontario	100
Scott & Fetzer (Canada) Ltd.	Ontario	100
The Scott & Fetzer International Company	Ohio	100

The accounts of these subsidiaries are included in the consolidated statements.

The Registrant has several inactive subsidiaries, which considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Item 5. LEGAL PROCEEDINGS

The Federal Trade Commission has notified Scott & Fetzer by letter of a nonpublic investigation of its Kirby Division. The nature and scope of the investigation is to determine whether or not the Kirby Division may be engaged in unfair or deceptive acts or practices in violation of Section 5 of the Federal Trade Commission Act in connection with the sale of vacuum cleaners, accessories and attachments, or any other merchandise throughout the United States. Scott & Fetzer believes that it is not in violation of the Act.

In April of 1974, a Hearing Commissioner for the Air Pollution Control Board of the State of Indiana ruled that a foundry operation of the Company's Campbell-Hausfeld Division located in West Harrison, Indiana was in violation of the Indiana Air Pollution Control Board Regulations and ordered the submission of plans for the installation of certain corrective pollution control facilities, estimated to cost approximately $400,000. However, the Company recently established a new automated casting operation utilizing electric furnaces, and consequently, due to age and the cost of the proposed corrective pollution control facilities, the West Harrison foundry operation was shut down and its re-opening is dependent upon the level of future demand for castings.

Item 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES

(a) *Increases and decreases in Common Shares without par value (stated value of $1.25 per share).*

Transaction	Increases	Decreases	
Outstanding at November 30, 1973			7,543,749
Issuance of shares upon the exercise of outstanding stock options, various dates between December 18, 1973 and March 13, 1974	11,075		
Outstanding at November 30, 1974			7,554,824

(b) Revolving Notes in the aggregate amount of $24,600,000 were issued to banks during 1974 pursuant to the Loan Agreement dated as of August 1, 1974 between Scott & Fetzer and five banks. At November 30, 1974 Revolving Notes in the aggregate amount of $24,600,000 were outstanding. The Revolving Notes were not registered under the Securities Act of 1933 in reliance upon the exemption contained in section 4(2) of that Act.

Item 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

Set forth below is the approximate number of holders of record of the equity securities of the Registrant as at November 30, 1974:

Title of Class	Approximate Number of Record Holders
Common Shares without par value (stated value of $1.25 per share)	9900

Item 8. EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a schedule of the names, ages and positions of all officers of the Registrant. There are no family relationships among these officers. All executive officers are elected annually by the Directors.

Name	Age	Title
John Bebbington	49	Group Vice President
John Bebbington has been employed by the Registrant as Group Vice President since July 19, 1971. For at least two years prior to such date he was employed by Borg Warner Corporation, Morse Chain Division in such capacities as Vice President - Operations and Vice President - Manufacturing. Morse Chain Division of Borg Warner Corporation is in the business of manufacturing power transmission components.		
J. F. Bradley	44	Executive Vice President - Finance
J. F. Bradley has been employed by the Registrant as Executive Vice President - Finance since March 1, 1972. For at least three years prior to March 1, 1972, he was Vice President-Finance of TRW Inc. TRW Inc. is a diversified manufacturing company.		
Carl W. Goldbeck	51	Group Vice President
Carl W. Goldbeck has been employed by the Registrant for more than five years in such capacities as Division Vice President and Group Vice President.		

Name	Age	Title
Niles H. Hammink Niles H. Hammink has been employed by the Registrant for more than five years as President and Chief Executive Officer, and since September 1, 1974 as Chairman.	63	Chairman and Chief Executive Officer
James H. Heyne James H. Heyne has been employed by the Registrant for more than five years in such capacities as Division President, Group Vice President and Executive Vice President - Operations.	54	Executive Vice President - Operations
Kenneth D. Hughes Kenneth D. Hughes has been employed by the Registrant since January 5, 1970 in such capacities as Treasurer, Controller and Assistant Secretary.	53	Treasurer, Controller and Assistant Secretary
Quigg Lohr Quigg Lohr has been employed by the Registrant for more than five years in such capacities as Executive Vice President and Secretary and Senior Executive Vice President.	62	Senior Executive Vice President
Walter A. Rajki Walter A. Rajki has been employed by the Registrant for more than five years in such capacities as Division President and Group Vice President.	49	Group Vice President

Name	Age	Title
Ralph E. Schey	50	President and Chief Operating Officer

Ralph E. Schey was elected President and Chief Operating Officer of the Registrant as of September 1, 1974. In 1970 and 1971 he was President of Joseph, Mellen and Miller, Inc., a Cleveland investment banking firm, and thereafter until his election as President and Chief Operating Officer he was a private consultant directing venture capital activities involving several Cleveland companies.

Name	Age	Title
Robert C. Weber	44	Secretary and General Counsel

Robert C. Weber was employed by the Registrant on October 1, 1971 as General Counsel and Assistant Secretary and has held the position of Secretary since December 20, 1972. For at least two years prior to October 1, 1971 he was Assistant Secretary and Corporate Counsel of True Temper Corporation, a manufacturing company.

Item 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The information required by Item 9 remains unchanged from the information given in response to this Item in Scott & Fetzer's annual report on Form 10-K, dated February 26, 1973, filed for its 1972 fiscal year (Commission File No. 0-231), except that section 1701.13(E) of the Ohio Revised Code, pertaining to the indemnification of officers and Directors, was amended during 1974. Set forth below is the text of section 1701.13(E) as presently in effect.

Ohio Revised Code, Section 1701.13(E), as amended, effective September 30, 1974.

(E) (1) A corporation may indemnify or agree to indemnify any person who was or is a party or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

(2) A corporation may indemnify or agree to indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless, and only to the extent that the court of common pleas, or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court of common pleas or such other court shall deem proper.

(3) To the extent that a director, trustee, officer, employee, or agent has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in divisions (E)(1) and (E)(2) of this section, or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.

(4) Any indemnification under divisions (E)(1) and (E)(2) of this section, unless ordered by a court, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, trustee, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in divisions (E)(1) and (E)(2) of this section. Such determination shall be made (a) by a majority vote of a quorum consisting of directors of the indemnifying corporation who were not and are not parties to or threatened with any such action, suit, or proceeding, or (b), if such a quorum is not obtainable or if a majority vote of a quorum of disinterested directors so directs, in a written opinion by independent legal counsel other than an attorney, or a firm having associated with it an attorney, who has been retained by or who has performed services for the corporation, or any person to be indemnified within the past five years, or (c) by the shareholders, or (d) by the court of common pleas or the court in which such action, suit, or proceeding was brought. Any determination made by the disinterested directors under division (E)(1)(a) or by independent legal counsel under division (E)(4)(b) of this subdivision shall be promptly communicated to the person who threatened or brought the action or suit, by or in the right of the corporation under division (E)(2) of this section, and within ten days after receipt of such notification, such person shall have the right to petition the court of common pleas or the court in which such action or suit was brought to review the reasonableness of such determination.

(5) Expenses, including attorneys' fees, incurred in defending any action, suit, or proceeding referred to in divisions (E)(1) and (E)(2) of this section, may be paid by the corporation in advance of the final disposition of such action, suit, or proceeding as authorized by the directors in the specific case upon receipt of an undertaking by or on behalf of the director, trustee, officer, employee, or agent to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as authorized in this section.

(6) The indemnification provided by this section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the articles or the regulations or any agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

(7) A corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit partnership, joint venture, trust,

or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

(8) As used in this division, references to "corporation" includes all constituent corporations in a consolidation or merger and the new or surviving corporation, so that any person who is or was a director, officer, employee, or agent of such a constituent corporation, or is or was serving at the request of such constituent corporation as a director, trustee, officer, employee, or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise shall stand in the same position under this section with respect to the new or surviving corporation as he would if he had served the new or surviving corporation in the same capacity.

Item 10. FINANCIAL STATEMENTS AND EXHIBITS FILED

(a) The financial statements filed as part of this report are listed on the Index to Financial Statements at page F-1 of the attached financial statements and schedules of the Registrant.

(b) Exhibits

1. Loan Agreement dated as of August 1, 1974 among The Scott & Fetzer Company and five banks (Exhibit to Form 8-K Report of The Scott & Fetzer Company for the month of August 1974 and incorporated by reference).

2a. Letter dated August 5, 1974 from The Prudential Insurance Company of America to The Scott & Fetzer Company agreeing to an amendment to the Note Agreement dated October 11, 1965. (This exhibit is a basic document pursuant to Rule 12b-34 under the Securities Exchange Act of 1934.)

2b. Letter dated February 7, 1975 from The Prudential Insurance Company of America to The Scott & Fetzer Company agreeing to an amendment to the Note Agreement dated October 11, 1965. (This exhibit is a basic document pursuant to Rule 12b-34 under the Securities Exchange Act of 1934.)

3. Letter dated February 28, 1975 from Coopers & Lybrand to The Scott & Fetzer Company approving the change in inventory method accounting.

PART II

Items 11-15

Since the close of the fiscal year, the Registrant has filed with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A, which involved the election of Directors. Therefore, the information called for by Part II of Form 10-K has been omitted.

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.

THE SCOTT & FETZER COMPANY

By Quigg Lohr
Quigg Lohr, Senior Executive
Vice President

February 28, 1975

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The individual financial statements of the Registrant are omitted because the Registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements filed are totally-held subsidiaries.

Schedules I, II, III, IV, VIII, X, XI, XIV, XV, XVII, XVIII and XIX are omitted as the information required is either not pertinent or not significant, and Schedules IX and XIII are omitted because the data is given in Notes to Financial Statements.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheet of The Scott & Fetzer Company and subsidiary companies as of November 30, 1974 and 1973, the related consolidated statements of income and retained earnings and changes in financial position for the two years then ended, and the supporting schedules, all as listed in the accompanying Index to Financial Statements and Schedules. 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.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of The Scott & Fetzer Company and subsidiary companies at November 30, 1974 and 1973, the consolidated results of their operations and the changes in financial position for the two years then ended, and the supporting schedules present fairly the information required to be reported therein, all in conformity with generally accepted accounting principles applied on a consistent basis except for the change, with which we concur, in the method of valuing inventory as described in Note 2 to the financial statements.

Coopers & Lybrand
COOPERS & LYBRAND

Cleveland, Ohio
January 29, 1975
(Except as to Note 13
under date of
February 25, 1975)

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, as at November 30, 1974 and 1973

(Dollars in Thousands)

ASSETS	1974	1973
Current assets:		
Cash	$ 4,854	$ 765
Certificates of deposit	283	330
Marketable investments, at cost (market quotations, 1974-$43, 1973-$257)	50	268
Accounts receivable, trade Less allowance for doubtful accounts (Schedule XII)	38,379	33,824
Accounts receivable, other	892	562
Inventories (Note 2):		
Raw materials and supplies	35,717	27,850
Work in process	15,366	14,310
Finished goods	19,444	18,188
	70,527	60,348
Prepaid expenses	2,028	1,814
Total current assets	117,013	97,911
Property, plant and equipment (Schedule V):		
Land and land improvements	2,073	1,575
Buildings	13,441	12,102
Machinery and equipment	51,572	42,514
	67,086	56,191
Less accumulated depreciation (Schedule VI) (Note 4)	24,057	21,016
	43,029	35,175
Intangible assets arising from acquisitions (Schedule VII) (Note 5)	2,178	2,235
Patents, license, trademarks and goodwill (at amortized cost) (Schedule VII)	34	42
Other assets	475	713
	$162,729	$136,076

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

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET, as at November 30, 1974 and 1973
(Dollars in Thousands)

LIABILITIES	1974	1973
Current liabilities:		
Notes payable, bank		$ 8,095
Current portion of long-term debt (Note 6)	$ 448	601
Accounts payable, trade	20,647	12,929
Accounts payable, other	1,051	1,674
Federal and Canadian income taxes	1,787	3,757
Accrued liabilities:		
Taxes	1,982	2,561
Salaries, wages and commissions	2,953	2,819
Interest	267	162
Pension and profit-sharing plans (Note 8)	2,103	2,069
Other	1,279	2,739
Total current liabilities	32,517	37,406
Long-term debt (Note 6):		
Loans under revolving credit agreement	24,600	
Other long-term debt	2,824	3,334
Deferred income taxes	2,651	1,499
Total liabilities	62,592	42,239
Commitments and contingent liabilities (Notes 7, 8 and 9)		
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 Stated value of issued shares $1.25 per share 1974 - 7,558,185 shares less 3,361 in treasury, 1973 - 7,558,185 shares less 14,436 in treasury (Notes 10 and 11)	9,444	9,429
Additional capital (Note 11)	5,691	5,548
Retained earnings (Note 6)	85,002	78,860
	100,137	93,837
	$162,729	$136,076

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

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME
for the year ended November 30, 1974 and 1973
(Dollars in Thousands)

	1974	1973
Net sales	$291,258	$270,714
Cost of goods sold (Note 2)	226,393	196,589
Gross profit	64,865	74,125
Selling, general and administrative expenses	36,751	34,440
Operating profit	28,114	39,685
Other income:		
Interest	132	429
Gain on sale of property, plant and equipment	27	152
Royalties	136	359
Miscellaneous	606	407
	901	1,347
Other expense:		
Interest:		
Long-term debt	1,070	219
Other	1,523	431
Miscellaneous	491	318
	3,084	968
Other income and expense, net	2,183	379
Income before provision for income taxes	25,931	40,064
Provision for income taxes:		
State and local	1,203	1,670
U. S. and Canadian:		
Currently payable	9,907	17,115
Deferred	1,125	410
	12,235	19,195
Net income for the year	$ 13,696	$ 20,869
Earnings per common and common equivalent shares	$1.81	$2.76
Dividends per common share	1.00	1.00
Average number of common and common equivalent shares (000's)	7,553	7,571

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

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the years ended November 30, 1974 and 1973
(Dollars in Thousands)

	1974	1973
Balance, beginning of year	$78,860	$65,447
Net income for year	13,696	20,869
	92,556	86,316
Cash dividends - per share 1974 - $1.00, 1973 - $1.00	7,554	7,456
Balance, end of year	$85,002	$78,860

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

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
for the years ended November 30, 1974 and 1973
(Dollars in Thousands)

	1974	1973
Source of funds:		
From operations:		
Net income	$13,696	$20,869
Depreciation and amortization	4,207	3,283
Deferred federal income taxes	1,152	498
Total from operations	19,055	24,650
Loans under revolving credit agreement	24,600	
Sale of common stock under stock options	158	136
Disposal of fixed assets	448	556
Collection of noncurrent notes receivable	222	
Construction trust funds used to purchase fixed assets		286
Other, net increase	98	45
	44,581	25,673
Application of funds:		
Cash dividends	7,554	7,456
Additions to property, plant and equipment	12,473	12,753
Decrease in long-term debt	510	757
Intangibles from acquisition	53	
	20,590	20,966
Increase in working capital	$23,991	$ 4,707
Increase (decrease) in components of working capital:		
Current assets:		
Cash and certificates of deposit	$ 4,042	$ (706)
Marketable investments	(218)	(6,549)
Trade and other receivables	4,885	3,396
Inventories	10,179	17,954
Prepaid expenses	214	270
	19,102	14,365
Current liabilities:		
Notes and current portion of long-term debt	(8,248)	5,960
Trade and other payables	7,095	4,151
Accrued liabilities including taxes	(3,736)	(453)
	(4,889)	9,658
Increase in working capital	$23,991	$ 4,707

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

NOTES TO FINANCIAL STATEMENTS

1. Accounting Policies:

The following is a summary of significant accounting policies followed in the preparation of these financial statements. The policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements except for the change in method of inventory valuation.

Principles of Consolidation - Consolidated financial statements include the accounts of all subsidiaries, domestic and Canadian, all of which are wholly-owned. Intercompany balances, transactions and stockholdings have been eliminated in consolidation.

Marketable Investments - Marketable investments are valued at cost, which approximates market value.

Inventories - Inventories are valued at the lower of cost or market. At November 30, 1973 and prior fiscal years, cost was determined substantially on a first-in, first-out basis. At November 30, 1974, the Company changed the method of inventory valuation for a substantial portion of its domestic inventories from the first-in, first-out "FIFO" method to the last-in, first-out "LIFO" method. Interdivisional and intercompany profits are eliminated from inventory valuations.

Property, Plant and Equipment - Items capitalized as part of land, buildings and equipment, including significant betterments to existing facilities, are valued at cost. Fixed assets under lease/purchase agreements are accounted for as purchases and the obligations reflected as liabilities at the discounted amount of future lease rental payments. Maintenance, repairs and ordinary renewals are charged to costs.

Depreciation - Straight-line and accelerated methods are used in the computation of depreciation for report purposes, the straight-line method being used for the majority of the assets.

Deferred Income Taxes - For federal income tax purposes, accelerated methods of depreciation are used, where allowable, and deferred income taxes are provided on the difference between the depreciation expense for financial reporting purposes and that for income tax purposes.

Investment Credit - The investment tax credit is recorded on the "flow-through" method as a reduction of the provision for federal income taxes.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Accounting Policies, Continued:

Business Combinations - Where combinations qualify as "poolings of interests" the results of operations include those of acquisitions for the entire current year and financial statements of the preceding year are restated therefor. There were no poolings in 1974. Acquisitions which constitute "purchases" are included in operations from the date of acquisition, and amounts assigned to intangibles after 1970 are being amortized on a straight-line basis over a 40-year period.

Translation of Foreign Currencies - The accounts of Canadian subsidiaries, which in the aggregate are not significant, have been translated into United States dollars as follows: property, plant and equipment and depreciation at parity, other assets and liabilities at current exchange rates and sales, costs and expenses at the average exchange rates for the period. Unrealized gains or losses are not material and are included in income.

Earnings per Share - Earnings per common share are determined by dividing the weighted average number of shares of common stock outstanding plus common share equivalents (shares issuable for certain stock options granted) into net income.

2. Change in Accounting Policy:

In the year ended November 30, 1974, the Company changed the method of inventory valuation for certain divisions from the first-in, first-out "FIFO" method to the last-in, first-out "LIFO" method. This change was made to more accurately match current costs with sales and to minimize the effect of inflation on inventories and earnings. The excess of FIFO cost over LIFO cost on divisions adopting LIFO was about $8,100,000 and the effect of the change was to reduce net income by approximately $4,250,000 or $.56 per share. There is no cumulative effect of the change on prior periods since the November 30, 1973 inventory as previously reported is the opening inventory under the last-in, first-out method. Inventories used in the computation of cost of goods sold were as follows:

	Dollars in Thousands
November 30, 1972	$42,394
November 30, 1973	60,348
November 30, 1974	70,527

NOTES TO FINANCIAL STATEMENTS, Continued

3. Equity in Foreign Subsidiaries:

The Company's equity in net assets of Canadian subsidiaries consolidated, including amounts payable to the Company, as shown by their books (after translating foreign currency assets and liabilities into U.S. dollars) is $5,073,338 at November 30, 1974. Net income of Canadian subsidiaries is not material. The unremitted retained earnings of $1,975,776 of the Canadian subsidiaries has been reinvested in their operations.

4. Property, Plant and Equipment - Depreciation Policy:

The estimated useful lives for the major portion of the fixed assets are:

Land improvements	5-20 years
Buildings	20-40 years
Leasehold improvements	Lease Period
Machinery and equipment	5-32 years
Tools, patterns, dies, jigs	3-10 years
Furniture and fixtures	5-10 years
Automobiles and trucks	3- 4 years

Fully depreciated assets are removed annually from the asset and accumulated depreciation accounts of some divisions. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the asset and accumulated depreciation accounts. Gain or loss from retirement or disposition of fixed assets is credited or charged to current income.

5. Intangible Assets Arising From Acquisitions:

Intangible assets arising from acquisitions represent the excess of cost over the net tangible assets of purchased companies at dates of acquisition. Intangible assets arising from acquisitions after November 30, 1970 are being amortized over forty years. Amortization has not been taken in prior years because, in the opinion of the Company, there has been no diminution in val[illegible]

NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Liabilities:

Long-term debt at November 30, 1974 is as follows (dollars in thousands):

	Current	Noncurrent
Borrowings under revolving credit agreement		$24,600
Mortgage notes, 5½% to 8%, maturities to 1982	$111	504
Insurance company loan, 6%, maturities to 1980	200	1,500
Obligations under Lease/Purchase Agreements, 4¼% to 8%, maturities to 1988	137	820
	$448	$27,424

The Company has a revolving credit agreement with five banks. The agreement provides for maximum borrowings of $30,000,000 pursuant to which revolving loans may be obtained until August 1, 1977. The agreement requires maintenance with each bank of a compensating balance that is not less than 10% of the amounts available plus 5% of the unpaid principal balances. If the average compensating balance maintained by the Company with any bank during any month is less than the required minimum, the bank will be paid a fee on such deficit at 115% of the principal bank's base rate in effect on the first day of the month. Since August, 1974, amounts borrowed averaged $24,513,513, with maximum borrowings of $24,600,000. There is a commitment fee, based upon the average daily difference between each bank's revolving credit and its unpaid principal balance, computed at the rate of ½% per annum. The weighted average interest rate on the borrowings including the effect of the fees and compensating balance was 13%, with a high during the year of 14.6%. Average compensating balances maintained for all banks during fiscal 1974 were $3,382,000. At year-end, total cash balances at two banks were $371,288 below the compensating balances computed under the maintenance provision. At the three other banks compensating balances were substantially in excess of balances required.

6. Long-Term Liabilities, Continued:

The agreement provides for prepayment in whole or in part without penalty and requires, among other covenants, the maintenance of consolidated net current assets (excess of current assets over current liabilities) of not less than $60,000,000 and consolidated net worth (shareholders' equity) of not less than $90,000,000. For this purpose, all principal of the revolving loans shall be excluded from current liabilities until December 1, 1976 and shall be included thereafter. The consolidated net current assets and net worth at November 30, 1974 were $84,496,000 and $100,137,000 or $24,496,000 and $10,137,000, respectively, in excess of the requirements.

The mortgage loans require aggregate monthly payments of $11,712 including interest.

The insurance company loan is payable in annual installments of $200,000 on December 31, 1974 and annually thereafter, with a balance of $500,000 due in 1980. Under this loan agreement the Company is not permitted to have borrowings from banks or other lending institutions in excess of $35,000,000. 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 such purposes under this insurance company loan, amounted to $36,895,000 at November 30, 1974; however, under the revolving credit agreement amounts available for such purposes, as explained above, were limited to the excess of net worth at November 30, 1974 over the amount required or $10,137,000.

Under the terms of three building Lease/Purchase Agreements (one of which includes equipment) the Company is obligated for rentals annually approximating $200,000 for 1975-1976, $160,000 for 1977-1979, $100,000 for 1980-1981 and $10,000 for 1982-1988. Annual rentals during the terms of the leases are in amounts sufficient to meet the interest and debt retirement requirements of the related Industrial Revenue Bond issues. The Company has the right to acquire the assets (under certain conditions and at times specified) at amounts stipulated in the agreements, which generally are the balances of the discounted unpaid rentals (and certain premiums) plus amounts of $1 to $500. The Company has accounted for the transactions as purchases and the obligations have been reflected as liabilities in the balance sheet at the discounted amount of the future lease rental payments.

6. Long-Term Liabilities, Continued:

Aggregate maturities of long-term debt during the five-year period ending November 30, 1979 are as follows:

Year ending November 30,	
1975	$ 448,000
1976	446,000
1977	25,021,000
1978	423,000
1979	428,000

7. Contingent Liabilities:

Any liability that may result from lawsuits and other claims pending against the Company and its subsidiaries as of November 30, 1974 will not be material in the opinion of management of the Company.

8. Pension and Retirement Plans:

The Company and its subsidiaries have in effect various pension and retirement plans for salaried and hourly personnel including noncontributory trusteed plans, noncontributory unfunded plans and profit-sharing retirement plans. Contributions by the Company and its subsidiaries under the plans charged to operations were $2,236,000 and $1,907,000, respectively, for the years ended November 30, 1974 and 1973. These include, as to certain of the plans, amortization of past service costs over periods ranging from 25 to 40 years. The amount required to fund the past service costs is estimated at $8,284,000.

The Company's policy is to fund pension costs accrued. The aggregate actuarially computed value of vested benefits exceeded the total pension funds and balance sheet accruals by approximately $2,502,000 at November 30, 1974.

For a number of years the Company has paid discretionary bonuses to officers and selected employees. The amounts charged against income aggregated $578,910 and $552,800 for the years ended November 30, 1974 and 1973, respectively.

9. Long-Term Leases:

For leased facilities not capitalized and therefore not reflected on the balance sheet, the approximate minimum annual rentals under noncancelable leases with terms of more than one year, as of November 30, 1974, amount to the following (thousands of dollars):

	All Leases			
Years ending November 30,	Land and Buildings	Machinery and Equipment	Total	Total For Financing Leases
1975	$ 2,071	$ 542	$ 2,613	$ 1,381
1976	1,926	388	2,314	1,246
1977	1,809	137	1,946	1,089
1978	1,545	55	1,600	959
1979	1,264	15	1,279	776
1980-1984	5,451		5,451	3,430
1985-1989	2,891		2,891	1,788
1990-1994	127		127	
After 1994				
Total rental commitments	$17,084	$1,137	$18,221	$10,669

The present values of the minimum lease commitments for all non-capitalized financing leases as of November 30, 1974, are as follows:

Land and buildings	$7,174,896
Machinery and equipment	688,130
Total	$7,863,026

The above present values were determined using the effective dates of the leases and the interest rates specified in such leases or in effect on such dates. Interest rates used ranged from 4.5% to 12.25% and averaged 6.18%. If all financing leases were capitalized and amortized over the terms of the leases and interest at the foregoing rates were expensed, the effect on income would be immaterial compared with the rent expense of such leases.

Total rent charged to expense for the years ended November 30, 1974 and 1973 amounted to $3,487,000 and $2,597,000, respectively, of which $1,322,000 and $1,180,000, respectively, were applicable to financing lease rentals.

10. Stock Options:

At November 30, 1974, 110,725 shares of common stock were reserved for issuance under outstanding options from 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.

On March 20, 1973, the stockholders approved the adoption of the 1973 Stock Option Plan which provides for the granting of either qualified or nonqualified options at prices not less than market value at the date of grant. Qualified options were granted during 1974 under this new stock option plan, and 350,000 shares of common stock were reserved for issuance under the plan of which 112,600 were reserved for options outstanding and 237,400 were reserved for future grant.

Information relating to options is set forth below:

		Option Price		Corresponding Quoted Market Price	
	Number of Shares	Average per Share	Total	Average per Share	Total
Options granted: Year ended November 30,					
1973	67,350	$41.50	$2,795,025	$41.50	$2,795,025
1974	115,300	19.50	2,248,350	19.50	2,248,350
Options becoming exercisable: Year ended November 30,					
1973	23,406	21.69	507,644	40.06	937,615
1974	36,485	29.36	1,071,505	19.95	727,712
Options exercised: Year ended November 30,					
1973	7,750	17.61	136,469	40.14	311,047
1974	11,075	14.14	156,606	21.41	237,144
Options outstanding: November 30, 1974	223,325	25.73	5,745,144	19.77	4,414,800

10. Stock Options, Continued:

Options were cancelled during the two years ended November 30, 1974 as follows:

Years ended November 30,	Shares
1973	3,650
1974	31,475

The Company makes no charge against income with respect to options.

11. Changes in Common Shares and Additional Capital:

The changes in common shares and additional capital for the years ended November 30, 1974 (showing the balance as of November 30, 1972 restated for 1973 poolings) were as follows:

(Dollars in Thousands)

	Common Stock			
	Treasury Shares	Issued Shares	Stated Value	Additional Capital
Balances, November 30, 1972	(22,186)	7,558,185	$9,420	$5,421
Sale of shares under option plan	7,750		9	127
Balances, November 30, 1973	(14,436)	7,558,185	9,429	5,548
Sale of shares under option plan	11,075		15	143
Balances, November 30, 1974	(3,361)	7,558,185	$9,444	$5,691

NOTES TO FINANCIAL STATEMENTS, Continued

12. Federal and Canadian Income Taxes:

The effective income tax rates were 44.61% for the year ended November 30, 1974 and 45.64% for 1973. The difference between these rates and the statutory U. S. income tax of 48% resulted from:

	Year ended November 30,	
	1974	1973
Investment tax credit	2.85%	1.76%
Export operations through "DISC" company	.97	.33
Foreign income taxes at effective rates of less than 48%	.25	.11
Other, net	(.68)	.16
	3.39%	2.36%

The provisions for deferred income taxes arise principally from the use of accelerated depreciation methods for income tax purposes in the United States and Canada. Except for the foregoing, deferred income taxes related to other timing differences are individually less than 15% of the provisions for deferred income taxes in each of the two years ended November 30, 1974.

13. Subsequent Event:

On February 25, 1975 the Company entered into a lease/purchase agreement for a new manufacturing plant. The building is being financed by $2,400,000 of industrial revenue bonds which mature on October 1, 1985 and are guaranteed by the Company.

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THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
for the years ended November 30, 1974 and 1973

Column A Classification	Column B Balance at Beginning of Period	Column C Additions at Cost	Column D Retirements	Column F Balance at End of Period
Year ended November 30, 1974:				
Land	$ 1,223,122	$ 303,298		$ 1,526,420
Land improvements	351,767	194,265		546,032
Buildings	12,101,583	1,381,539	$ 42,324	13,440,798
Leasehold improvements	1,668,514	521,298	50,506	2,139,306
Machinery and factory equipment	28,389,800	11,451,328	1,058,658	38,782,470
Tools, patterns, dies, jigs, etc.	5,515,426	1,768,446	263,005	7,020,867
Furniture and fixtures	1,758,114	197,513	86,178	1,869,449
Automobiles and trucks	272,392	12,307	77,621	207,078
Construction in progress	4,909,914	(3,357,051)		1,552,863
	$56,190,632	$12,472,943	$1,578,292	$67,085,283
Year ended November 30, 1973:				
Land	$ 1,106,554	$ 160,424	$ 43,856	$ 1,223,122
Land improvements	316,820	53,822	18,875	351,767
Buildings	11,649,485	1,043,000	590,902	12,101,583
Leasehold improvements	1,414,329	300,716	46,531	1,668,514
Machinery and factory equipment	22,678,442	6,194,705	483,347	28,389,800
Tools, patterns, dies, jigs, etc.	4,439,310	1,230,420	154,304	5,515,426
Furniture and fixtures	1,581,161	255,202	78,249	1,758,114
Automobiles and trucks	356,639	10,134	94,381	272,392
Construction in progress	1,405,874	3,504,040		4,909,914
	$44,948,614	$12,752,463	$1,510,445	$56,190,632

DISCLOSURE(R) IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

for the years ended November 30, 1974 and 1973

Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column D Retirements	Column F Balance at End of Period
Year ended November 30, 1974:				
Land improvements	$ 176,801	$ 41,929		$ 218,730
Buildings	4,289,493	489,208	$ 42,325	4,736,376
Leasehold improvements	587,226	185,635	48,171	724,690
Machinery and factory equipment	12,157,069	2,271,943	684,928	13,744,084
Tools, patterns, dies, jigs, etc.	2,625,797	1,009,777	213,694	3,421,880
Furniture and fixtures	999,837	136,486	76,736	1,059,587
Automobiles and trucks	179,652	36,077	64,565	151,164
	$21,015,875	$4,171,055	$1,130,419	$24,056,511
Year ended November 30, 1973:				
Land improvements	$ 144,587	$ 35,943	$ 3,729	$ 176,801
Buildings	4,100,901	382,877	194,285	4,289,493
Leasehold improvements	470,683	161,730	45,187	587,226
Machinery and factory equipment	10,823,648	1,813,879	480,458	12,157,069
Tools, patterns, dies, jigs, etc.	2,026,965	698,819	99,987	2,625,797
Furniture and fixtures	943,249	122,301	65,713	999,837
Automobiles and trucks	207,281	37,817	65,446	179,652
	$18,717,314	$3,253,366	$ 954,805	$21,015,875

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THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE VII - INTANGIBLE ASSETS
for the years ended November 30, 1974 and 1973

Column A Description	Column B Balance at Beginning of Period	Column C Additions at Cost	Column D Deductions (1) Charged to Costs and Expenses	Column D Deductions (2) Charged to Other Accounts	Column F Balance at End of Period
Year ended November 30, 1974:					
Patents	$ 36,707		$ 3,349	$ 1,150(B)	$ 32,208
Goodwill	103				103
Trademarks	1,205				1,205
Other	3,812		3,284		528
	41,827		6,633	1,150	34,044
Intangible assets arising from acquisitions:					
Portion being amortized (A)	1,118,014	$52,811	29,203	65,852(C)	1,075,770
Portion not being amortized	1,116,762			14,475(C)	1,102,287
	2,234,776	52,811	29,203	80,327	2,178,057
	$2,276,603	$52,811	$35,836	$81,477	$2,212,101
Year ended November 30, 1973:					
Patents	$ 25,631	$14,525	$ 3,449		$ 36,707
License	1,983		1,983		
Goodwill	103				103
Trademarks	1,205				1,205
Other	4,715		903		3,812
	33,637	14,525	6,335		41,827
Intangible assets arising from acquisitions:					
Portion being amortized (A)	1,147,206		29,192		1,118,014
Portion not being amortized	1,116,762				1,116,762
	2,263,968		29,192		2,234,776
	$2,297,605	$14,525	$35,527		$2,276,603

(A) See Note 5 of Notes to Financial Statements.
(B) Reduction due to the sale of assets of Lakewood Division.
(C) Reduction due to the sale of a Canadian subsidiary.

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THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE XII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
for the years ended November 30, 1974 and 1973

Column A	Column B	Column C		Column D	Column E
		Additions			
		(1)	(2)		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance End of Period
Year ended November 30, 1974: Allowance for doubtful accounts	$ 758,329	$783,780	$10,200(A)	$556,683(B)	$995,626
Year ended November 30, 1973: Allowance for doubtful accounts	$1,014,437	$587,053		$843,161(B)	$758,329

(A) Addition due to purchase of Howard Engineering Division.
(B) Write-off of uncollectible accounts, less recoveries.

DISCLOSURE(R) IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION
for the years ended November 30, 1974 and 1973

Column A Item	Column B Charged to Costs and Expenses
Year ended November 30, 1974:	
Maintenance and repairs	$3,128,443
Depreciation and amortization of property, plant and equipment	$4,171,054
Taxes, other than income taxes:	
Payroll	$4,580,723
Real, personal property and other	2,098,929
Total	$6,679,652
Rents	$3,486,801
Year ended November 30, 1973:	
Maintenance and repairs	$3,033,794
Depreciation and amortization of property, plant and equipment	$3,253,336
Taxes, other than income taxes:	
Payroll	$4,216,041
Real, personal property and other	1,629,578
Total	$5,845,619
Rents	$2,596,841

Note: Amounts for items other than those reported have been excluded because they amount to less than 1% of net sales.

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
TO INCORPORATE BY REFERENCE IN FORM S-16 REGISTRATION STATEMENTS

We hereby consent to the incorporation by reference of our report dated January 29, 1975 accompanying the consolidated financial statements of The Scott & Fetzer Company and subsidiaries included in the Annual Report, Form 10-K (SEC File No. 0-231) in the Form S-16 Registration Statements No. 2-40672, No. 2-40893, No. 2-42168, No. 2-43599, No. 2-44105, No. 2-46262, No. 2-48909, No. 2-50140, No. 2-52112 and No. 2-51467 registering under the Securities Act of 1933 Common Shares of The Scott & Fetzer Company.

Coopers & Lybrand
COOPERS & LYBRAND

Cleveland, Ohio
February 14, 1975

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended November 30, 1974 Commission File Number 0-231

THE SCOTT & FETZER COMPANY
(Exact name of Registrant as specified in its charter)

EXHIBITS

Exhibit 2a

August 5, 1974

The Scott & Fetzer Company
14701 Detroit Avenue
Lakewood, Ohio 44107

Gentlemen: Attention: Mr. K. D. Hughes, Treasurer

Reference is made to the agreement between The Scott & Fetzer Company (herein called the "Company") and The Prudential Insurance Company of America (herein called "Prudential") dated October 11, 1965, as heretofore amended (herein called the "Agreement"), pursuant to which the Company issued and sold and Prudential purchased the Company's 6% promissory note due December 31, 1980 in the principal amount of $3,000,000 (herein called the "Note").

Prudential, as holder of the Note, hereby agrees with the Company that paragraph 6C(2) of the Agreement is hereby amended by deleting the dollar amount "$25,000,000" appearing in clause (ii) and inserting in lieu thereof the dollar amount "$35,000,000".

Very truly yours,

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By [signature]
Vice President

cc: Mr. John W. Sager
Jones, Day, Cockley & Reavis

Exhibit 26

February 7, 1975

The Scott & Fetzer Company
14600 Detroit Avenue
Lakewood, Ohio 44107

Gentlemen: Attention: Mr. Kenneth D. Hughes, Treasurer & Controller

Reference is made to the agreement between the Scott & Fetzer Company (herein called the "Company") and The Prudential Insurance Company of America (herein called "Prudential") dated October 11, 1965, as heretofore amended (herein called the "Agreement"), pursuant to which the Company issued and sold and Prudential purchased the Company's 6% promissory note due December 31, 1930 in the principal amount of $3,000,000 (herein called the "Note").

Prudential, as holder of the outstanding Note, hereby consents and agrees that the dollar amount "$1,500,000" appearing in clause (viii) of paragraph 6C(3) of the Agreement shall be deemed amended to read "$5,000,000", and that the dollar amount "$2,750,000" appearing in paragraph 6C(6) of the Agreement shall be deemed amended to read "$3,750,000".

Very truly yours,

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By ______________________
Vice President

Exhibit 3

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

February 28, 1975

The Scott & Fetzer Company
Lakewood, Ohio

Dear Sirs:

We have reviewed the financial information included in The Scott & Fetzer Company Form 10-K to be filed with the Commission for the year ended November 30, 1974.

The Company reports in the Form 10-K a change in the method of inventory valuation for certain divisions from the first-in, first-out "FIFO" method to the last-in, first-out "LIFO" method. This change was made to more accurately match current costs with sales and to minimize the effect of inflation on inventories and earnings. The "LIFO" method of inventory valuation is an acceptable method under generally accepted accounting principles and we concur with this change.

Very truly yours,

Coopers & Lybrand
COOPERS & LYBRAND

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