SEC FILE NO 1- 5629 05 SIC 363 S 15 57 00 000

SCOTT & FETZER CO 10-K

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CARD 1 MICROFICHE BY DISCLOSURE INCORPORATED FOR 11/30/75

Scott & Fetzer Co. [Ohio] Co: S155700000
14600 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

Proxy Dated: 2/18/75
Meeting: Annual 3/18/75
Exceptional Subjects: Proposal to divide directors into three classes, one class to be elected each year to serve three-year term.
- Staggered director election

Exhibits: None

ARS For: 11/30/74
Auditor: Coopers & Lybrand
Shareholders: 8,697

For the years ended:	11/30/74	11/30/73
Revenues:	$291,258,000	$270,714,000
Earnings:	$13,696,000/$1.81	$20,869,000/$2.76
Extr. Items:	None	None
Assets:	$162,729,000	$136,076,000
Net Worth:	$100,137,000	$93,837,000

Regst S-7 Filed: 3/6/75
Reg. No: 2-52967
$30 million of Notes due 3/15/85 to be offered to public at 100%.
Rate to be determined.
Principal Underwriter: Smith, Barney & Co., Inc., et al.
Legal Counsel: Jones, Day, Reavis & Pogue
- Debt security offering; Public offering for cash

10-K For: 11/30/74
Shareholders: 9,900
Description of Business: Manufactures variety of vacuum cleaners and power-driven industrial and institutional floor maintenance equipment and supplies; products having commercial and industrial applications including air compressors, components of tracks for military vehicles, and leather goods; leisure time products including home use spraying units for paints and other liquids, hitching and towing equipment, and awnings for recreational vehicles; electrical components and products including zinc die cast electrical fittings, transformers, and ballasts for electrical signs, timing devices, and ignition systems for oil furnaces; and ceiling and wall lighting fixtures and table, floor, and swag lamps. Sells through independent distributors, manufacturers' representatives, wholesalers, jobbers, and direct sales.
- Industrial cleaning equipment mfr; Vacuum cleaner mfr; Floor maintenance equipment mfr
- Die mfr; Transformer mfr; Timer mfr; Ignition system mfr; Electrical equipment mfr
- Lighting fixture mfr; Table lamp mfr
- Compressor mfr
- Sprayer mfr; Painting equipment mfr
- Leather goods mfr
- Vehicle component mfr

Auditor's Report:
- Qualified opinions for consistency; Inventory valuation principle change; LIFO valuation; Supplementary income information

Financial Statements and Notes:
- Foreign translation gains or losses; Current writeoff method

RESUME CONTINUED ON NEXT FRAME

- Hybrid foreign translation methods; One to one currency exchange rates; Fixed assets; Depreciation costs
- Hybrid foreign translation methods; Year end currency exchange rates; Current assets; Current liabilities
- Average interest rate; Compensating balances; Revclving lines of credit
- Unusual effective tax rate; Investment tax credits
- Unusual effective tax rate; Domestic International Sales Cos.
- Unusual effective tax rate; Foreign taxes
- Capitalized production plant leases; Industrial revenue bonds; Subsequent events
- Noncapitalized financing leases; Present value

Exhibits:

- Ex: Private long term debt agreement; *10/11/65; *Amendments dated 8/5/74 and 2/7/75

10-Q For: 2/28/75

8-K For: 3/31/75

Exhibits: None indexed

Scott & Fetzer Co. [Ohio] Co: S155700000
14600 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
Auditor: Coopers & Lybrand

10-K Amendment 1 For: 11/30/74
Summary of Operations amended to include comparative earnings explanation.
Business Description, Changes in Outstanding Securities (item 6), and Indemnification (item 9) amended.

Reqst 8-A Filed: 6/3/75
Related Req. No: Not given
Securities Registered for Trading - Exchange:
9% Notes due 1985 - NYSE
Exhibits: None indexed

Prspct Eff: 5/15/75
Related Req. No: 2-51467
Covers $30 million of 9% Notes, due 1985, offered to public at 99%.
Underwritten by Smith, Barney & Co., Inc., et al.

8-K For: 5/31/75
- Public long term debt security sale; Long term unsecured bank loans
- Debt liquidation; Revolving lines of credit

Exhibits:
- Ex: Private long term debt agreement; *5/15/75; *National City Bank

10-Q For: 8/31/75

S155700

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, 1975 Commission File Number 0-231

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

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

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 Midwest Stock Exchange Pacific Stock Exchange
9% Notes Due 1985	New York Stock Exchange

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 ____.

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, 1975 Commission File Number 0-231

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9% Notes Due 1985	New York Stock Exchange

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 I

Except as otherwise stated, the information contained in this report is as of November 30, 1975, the close of the fiscal year of the Registrant ("Scott & Fetzer" or "Company").

Item 1. BUSINESS

Scott & Fetzer is a diversified company which 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.

THE SCOTT & FETZER COMPANY

	Year ended November 30,									
	1971		1972		1973		1974(2)		1975	
	(In thousands of dollars)									
	Amount	Per Cent of Total	Amount	Per Cent of Total	Amount	Per Cent of Total	Amount	Per Cent of Total	Amount	Per Cent of Total
Floor Care										
Sales	$ 51,228	27%	$ 61,700	27%	$ 75,303	28%	$ 72,885	25%	$ 71,955	25%
Income Before Taxes(1)	11,174	38%	14,240	39%	16,620	41%	11,613	45%	16,314	50%
Commercial/Industrial										
Sales	$ 60,298	32%	$ 69,221	30%	$ 77,032	29%	$ 80,625	28%	$ 82,839	29%
Income Before Taxes(1)	8,623	29%	8,980	24%	10,104	25%	3,293	13%	6,013	18%
Leisure Time										
Sales	$ 29,849	16%	$ 42,113	18%	$ 54,745	20%	$ 64,206	22%	$ 68,255	24%
Income Before Taxes(1)	3,981	13%	6,833	19%	7,043	18%	4,270	16%	3,388	10%
Electrical										
Sales	$ 25,919	14%	$ 29,764	13%	$ 33,016	12%	$ 42,279	14%	$ 37,226	13%
Income Before Taxes	4,228	14%	4,847	13%	4,607	12%	5,974	23%	7,045	22%
Lighting										
Sales	$ 21,436	11%	$ 26,563	12%	$ 30,618	11%	$ 31,263	11%	$ 23,745	9%
Income Before Taxes(1)	1,716	6%	1,822	5%	1,690	4%	781	3%	31	-%
Totals										
Sales	$188,730	100%	$229,361	100%	$270,714	100%	$291,258	100%	$284,020	100%
Income Before Taxes(1)	29,722	100%	36,722	100%	40,064	100%	25,931	100%	32,791	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 "Management's Discussion and Analysis of the Summary of Operations -- 1974 Versus 1973" on page 12 of the 1975 Annual Report to shareholders of Scott & Fetzer, which page is incorporated herein by reference.

During the fiscal year ended November 30, 1975, a major national retailing concern purchased products from various divisions of Scott & Fetzer which in the aggregate accounted for approximately 14% 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 19 and 39 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 both the private labels of customers and under certain Company trade names. 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 by the direct sales method in the home through approximately 700 independent distributors located throughout the United States and Canada which have a combined estimated direct sales and support force of approximately 11,000 persons, although sales in Canada are not material. The Kirby Division's sales to distributors are substantially all for cash. In fiscal 1975, 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 22%, 22%, 23%, 20% and 21%, of total sales of Scott & Fetzer for each of the fiscal years 1971 through 1975, 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 various retail stores under the *Campbell-Hausfeld* brand name. For the fiscal years 1971 through 1975, sales to the leisure time market of complete spraying units and components accounted for approximately 9%, 11%, 12%, 13% and 15%, 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, municipalities and the Federal Trade Commission have laws and regulations 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.

Acquisitions and Dispositions

During the 5 fiscal years ending November 30, 1975, Scott & Fetzer completed the acquisition of 16 businesses located throughout the United States and Canada of which 12 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 $3,776,000 in cash and approximately 1,815,000 Common Shares of Scott & Fetzer having an approximate aggregate market value of $56 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

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

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.

Environmental Controls

Scott & Fetzer believes its facilities are in substantial compliance with existing laws and regulations relating to control of air and water quality and waste disposal. Environmental compliance has not had and is not expected to have a material effect on the Company's capital expenditures, earnings or 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 1975 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, 1976, Scott & Fetzer employed approximately 6,900 persons, of whom approximately 1,500 were salaried and approximately 5,400 were hourly. Approximately 3,400 of the hourly employees in 25 of Scott & Fetzer's 54 plants are represented by labor organizations. Scott & Fetzer has enjoyed generally good relations with its employees. Approximately 1,748 employees are covered by 13 labor contracts which are scheduled for renegotiation during fiscal 1976.

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 4 of the Notes to Financial Statements on page 20 of the 1975 Annual Report to shareholders of the Company (which page is incorporated herein by reference) for information concerning contributions by Scott & Fetzer under such plans, unfunded past service cost, and other data.

Item 2. SUMMARY OF OPERATIONS

The "Summary of Operations" and "Management's Discussion and Analysis of the Summary of Operations" are set forth on page 12 of the 1975 Annual Report to shareholders of Scott & Fetzer, which page is incorporated herein by reference.

Item 3. PROPERTIES

Scott & Fetzer's various operations are conducted in 49 manufacturing facilities and 5 warehouses in 47 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 1973 through 1975, Scott & Fetzer invested approximately $31,300,000 for new facilities, automation, expansion and cost reduction equipment. Management believes that 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, with options to purchase in some cases. For additional information concerning the lease obligations of Scott & Fetzer see Note 2 of the Notes to Financial Statements, on pages 18 and 19 of the 1975 Annual Report to shareholders of Scott & Fetzer, which pages are incorporated herein by reference.

Item 4. PARENTS AND SUBSIDIARIES

There are no parents of the Company. Its principal subsidiaries are as follows:

Subsidiaries of Scott & Fetzer	State of Incorporation	Percentage of Stock Owned
Dek Process of La., Inc.	Louisiana	100%
Meiben 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 Company has several inactive subsidiaries, which considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Item 5. LEGAL PROCEEDINGS

The information required by Item 5 remains unchanged from the information given in resposne to this Item in Scott & Fetzer's Annual Report on Form 10-K, dated February 28, 1975, filed for its 1974 fiscal year (Commission File No. 0-231).

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	
Outstanding at November 30, 1974		7,554,824
Issuance of shares upon the exercise of outstanding stock options on October 30 and November 10, 1975	1,200	
Outstanding at November 30, 1975		7,556,024

Item 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

Set forth below is the approximate number of holders of record of the equity securities of Scott & Fetzer as at November 30, 1975:

Title of Class	Approximate Number of Record Holders
Common Shares without par value (stated value of $1.25 per share)	10,100

Item 8. EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Title
John Bebbington	50	Group Vice President

John Bebbington has been employed by Scott & Fetzer as Group Vice President since July 19, 1971. For at least a year 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.

Name	Age	Title
J. F. Bradley	45	Executive Vice President - Finance

J. F. Bradley has been employed by Scott & Fetzer as Executive Vice President - Finance since March 1, 1972. For at least two years prior to March 1, 1972, he was Vice President-Finance of TRW Inc. TRW Inc. is a diversified manufacturing company.

Name	Age	Title
Carl W. Goldbeck	52	Group Vice President
Carl W. Goldbeck has been employed by Scott & Fetzer for more than five years in such capacities as Division President and Group Vice President.		
Niles H. Hammink	64	Chairman and Chief Executive Officer
Niles H. Hammink has been employed by Scott & Fetzer for more than five years as President and Chief Executive Officer, and since September 1, 1974 as Chairman.		
Kenneth D. Hughes	54	Treasurer, Controller and Assistant Secretary
Kenneth D. Hughes has been employed by Scott & Fetzer for more than five years in such capacities as Treasurer, Controller and Assistant Secretary.		
Quigg Lohr	63	Senior Executive Vice President
Quigg Lohr has been employed by Scott & Fetzer for more than five years in such capacities as Executive Vice President and Secretary and Senior Executive Vice President.		
Walter A. Rajki	50	Group Vice President
Walter A. Rajki has been employed by Scott & Fetzer for more than five years in such capacities as Division President and Group Vice President.		

Name	Age	Title
Ralph E. Schey	51	President and Chief Operating Officer

Ralph E. Schey was elected President and Chief Operating Officer of Scott & Fetzer as of September 1, 1974. In 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	45	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 a year 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 28, 1975, filed for its 1974 fiscal year (Commission File No. 0-231), except that Article VI of Scott & Fetzer's Amended Code of Regulations pertaining to the indemnification and insurance of officers and Directors was amended by the shareholders at the 1975 Annual Meeting. Set forth below is the text of Article VI as presently in effect:

ARTICLE VI
INDEMNIFICATION AND INSURANCE

Section 1. *Indemnification*

The Corporation shall indemnify, to the full extent then permitted by law, 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, 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; provided, however, that the Corporation shall indemnify any such agent (as opposed to any director, officer or employee) of the Corporation to an extent greater than that required by law only if and to the extent that the directors may, in their discretion, so determine. The indemnification provided hereby shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any law, the Articles of Incorporation or any agreement, vote of shareholders or of disinterested directors or otherwise, both as to action in official capacities and as to action in another capacity while he is a director, officer, employee or agent, 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 heirs, executors and administrators of such a person.

Section 2. *Insurance*

The Corporation may, to the full extent then permitted by law and authorized by the directors, purchase and maintain insurance on behalf of any persons described in Section 1 of this Article VI against any liability asserted against and incurred by any such person in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such liability.

In addition, in 1975, Scott & Fetzer purchased insurance insuring its Directors and officers against certain liabilities and related expenses arising out of their relationship to Scott & Fetzer. Such insurance is subject to certain deductible limitations.

Item 10. FINANCIAL STATEMENTS AND EXHIBITS FILED

(a) The Financial Statements and the Notes to Financial Statements of Scott & Fetzer for the fiscal year ended November 30, 1975, together with the Accountants' Report relating thereto are set forth on pages 14 through 22 of the 1975 Annual Report to shareholders, which pages are filed as part of this Annual Report on Form 10-K. Such Financial Statements and the schedules of the Company which are also filed as part of this report are listed on the Index to Financial Statements. With the exception of pages 12 and 14 through 22, the 1975 Annual Report to shareholders is not to be deemed filed as part of this Annual Report on Form 10-K.

(b) Exhibits

1. Letter, dated March 6, 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.*

2. Amended Code of Regulations of The Scott & Fetzer Company. (Exhibit 1 to Form 8-K Current Report for the month of March, 1975 and incorporated herein by reference.)*

3. Copy of insurance policy number DOL5043, issued December 23, 1975, by United States Fire Insurance Company, insuring Directors and officers of The Scott & Fetzer Company.

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* This exhibit is a basic document pursuant to Rule 12b-34 under the Securities Act of 1934.

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 26, 1976

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The consolidated financial statements for the years ended November 30, 1975 and 1974 and the report thereon of Independent Certified Public Accountants appear on pages 14 through 22 of the attached 1975 Annual Report to Stockholders which pages are incorporated in this Form 10-K Annual Report. With the exception of the aforementioned pages, the 1975 Annual Report to Stockholders is not to be deemed filed as part of this report.

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 other than those listed above are omitted as the information required is either not pertinent or not significant, or because the data is given in Notes to Financial Statements.

REPORT AND CONSENT 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, 1975 and 1974 and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended and the supporting schedules 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 aforementioned supporting schedules present fairly the information required to be included therein, in conformity with generally accepted accounting principles applied on a consistent basis.

We consent to the inclusion of our report dated January 21, 1976 accompanying the financial statements of The Scott & Fetzer Company included in the 1975 annual report to stockholders incorporated by reference in the Annual Report, Form 10-K (SEC File No. 0-231) for the year ended November 30, 1975.

COOPERS & LYBRAND

Cleveland, Ohio
January 21, 1976

Scott & Fetzer is a marketing oriented company with special capabilities to respond quickly to changing customer needs. Product innovation, higher productivity, quality improvements for increased consumer values, strong market leadership, and selective acquisitions will play dominant roles in our management planning and future earnings growth.

Contents

The Scott & Fetzer Company

CORPORATE OFFICE
14600 Detroit Avenue
Lakewood, Ohio 44107
Telephone: area 216/228-6200

ANNUAL MEETING
The annual meeting of shareholders will be held on Tuesday, March 23, 1976, at 10:30 a.m., at the Lakewood City Hall Auditorium, 12650 Detroit Avenue, Lakewood, Ohio.

FORM 10-K REPORT
Copies of Scott & Fetzer's Form 10-K report, filed with the Securities and Exchange Commission, are available without charge upon written request to Robert C. Weber, Secretary of the company.

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

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

REGISTRARS
Central National Bank of Cleveland
800 Superior Avenue
Cleveland, Ohio 44114

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

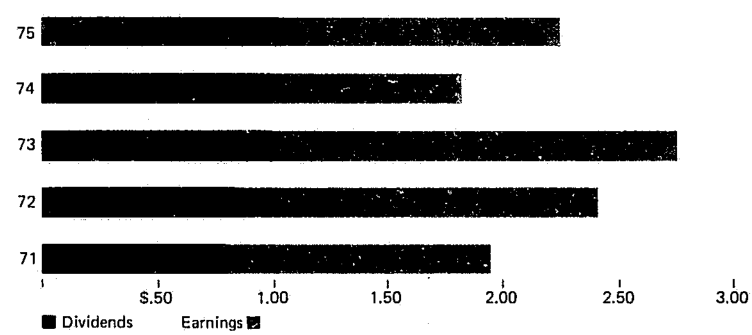
COMMON STOCK
Scott & Fetzer common shares are traded on the New York Stock Exchange, the Midwest Stock Exchange, and the Pacific Stock Exchange. The ticker symbol for the shares is SFZ.

The Year at a Glance

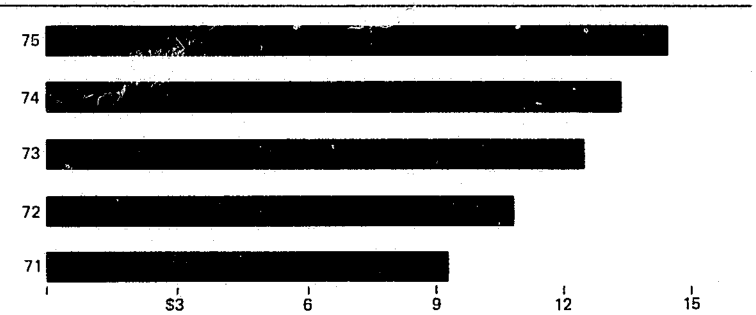
(Dollar Amounts in Thousands Except Per Share Data)

	1973	1974	1975	Per cent Change 1975 vs 1974
Net Sales	$270,714	$291,258	$284,020	(2)%
Income Before Taxes	40,064	25,931	32,791	26%
Per cent to Sales	14.8%	8.9%	11.5%	
Net Income	$ 20,869	$ 13,696	$ 17,048	24%
Per cent to Sales	7.7%	4.7%	6.0%	
Per cent to Shareholders' Investment	22.2%	13.7%	15.6%	
Per Share:				
Earnings	$ 2.76	$ 1.81	$ 2.26	25%
Dividends	1.00	1.00	1.02	2%
Book Value	12.44	13.25	14.49	9%
Total Assets	$136,076	$162,729	$184,177	13%
Shares Outstanding (000's)	7,544	7,555	7,556	
Number of Shareholders	8,498	9,896	10,105	

Earnings and Dividends Per Share



Book Value Per Share



To the Shareholders

Niles H. Hammink   Ralph Schey

Although the 1975 recession was the deepest and longest recession in the United States since World War II, Scott & Fetzer substantially increased earnings on lower sales volume during 1975.

The management actions implemented in late 1974 blunted the negative impact of sharply reduced sales volume in the first quarter of 1975. Austerity programs and tightened financial controls instituted in late 1974 enabled us to increase 1975 earnings by 25%—from $1.81 to $2.26 per share. The decisive and prompt response of the division managements resulted in improved operating income in what was a rapidly deteriorating economic climate. Total corporate employment dropped from a high of 8,300 in 1974 to a low of 5,800 in 1975.

Many of our consumer products divisions had substantial volume declines in the early part of 1975. In some consumer markets, such as sales through mass merchandisers, volume began to increase near the end of the first quarter and continued to improve during the remainder of 1975; however, consumer products associated with the housing market showed little improvement during the year.

We were satisfied with the profit attainment in the Floor Care, Commercial/Industrial, and Electrical products classifications and disappointed in the overall results of the Lighting Group and some sectors of the Leisure Time Group.

Our cash position strengthened considerably during 1975 primarily as a result of a major inventory reduction. Outstanding bank loans were replaced with a 10-year note issue.

The demonstrated ability to operate profitably under adverse business conditions has strengthened the entire management group of Scott & Fetzer and has raised our confidence level for 1976.

RESULTS OF OPERATIONS. For the 1975 fiscal year, sales volume totaled $284 million, about 2% below the $291.3 million recorded in 1974. Income before taxes amounted to $32.8 million compared with $25.9 million last year. Net income for 1975 was $17 million, or $2.26 per share, well above the $13.7 million and $1.81 per share earned in 1974. The net profit margin, computed on net income as a percentage of sales, was 6.0%, up from 4.7% last year. The return on shareholders' equity for 1975 was 15.6%, up from last year's 13.7%. A more detailed discussion of the factors affecting operating results is included in the financial review beginning on page 7.

FINANCIAL POSITION. Scott & Fetzer's total assets at November 30, 1975 amounted to $184.2 million, an increase of $21.5 million above the previous year-end level of $162.7 million. The investment in inventories was $55.6 million at year end compared with $70.5 million at the end of 1974. A significant decrease in the inventory investment was one of our major management objectives for 1975. Receivables totaled $40 million, approximately the same level as a year ago. Cash and securities at year-end 1975 were $38.4 million, up from the $5.2 million at November 30, 1974, reflecting the decreased inventories and the proceeds, after repayment of bank loans, from the $30-million issue of 10-year 9% notes sold in May 1975. With our improved working capital level and cash resources, Scott & Fetzer's financial position has never been stronger. We believe that the company has adequate financial resources to handle our operating requirements during the next several years. With the possibility of future general capital shortages for many companies, Scott & Fetzer is in a fortunate position.

CAPITAL EXPENDITURES. As indicated in last year's annual report, after a major capital expansion program during 1972-1974, a significantly reduced level of approximately $6 million in capital expenditures was planned for 1975. The expenditures for the year were $6.1 million, with most of the emphasis on current cost reduction projects. The new Powerwinch/Ja-Son plant in Shelton, Connecticut is now in the final stage of completion. The projected capital expenditures for 1976 will be in the $8-10-million range, with continued emphasis on cost reduction and productivity improvements.

EMPLOYEE RELATIONS. During 1975, we negotiated five labor agreements without a material work stoppage. We continue to believe that our divisions enjoy good relations with hourly as well as salaried employees. In 1976, we have thirteen labor agreements to be negotiated. We hope to complete these on mutually satisfactory terms without major disruptions. Nationally, there have been indications of growing concern about the possibility of serious industry strikes by the large international unions which could have a significant negative impact on the economy. This is a cloud on the economic horizon for 1976. We believe that improved economic benefits for employees must be balanced by significant gains in productivity so that these settlements will not add to the inflationary pressures.

FUTURE PLANNING. In the fall of 1975, each of our divisions prepared an Annual Business Plan which included a 1976 operating budget and projections for 1977 and 1978. These plans were individually reviewed in an in-depth discussion session between the corporate officers and each division management team. In addition to the financial projections, these business plans included the division's programs for marketing, manufacturing, product development and organization. As a result of these reviews, we are convinced that our divisions' future opportunities and potential are consistent with our corporate goals for earnings growth. An integral part of these plans is increased emphasis on product quality and reliability, increased productivity, new product development, and expanded marketing. Where product line deficiencies or marketing, manufacturing or organization weaknesses have been identified in a division, we are closely monitoring near-term remedial programs.

Supplementing the divisions' plans, we are exploring appropriate acquisitions in complementary markets, or where the acquired company's products could be integrated into an existing division to maximize its distribution system. We have established stringent financial criteria which a potential acquisition must meet. Although there are many attractive candidates available, we plan to be very selective in adding new operations to Scott & Fetzer. Also, as a regular part of our corporate operations review and planning, we continuously re-evaluate the existing divisions which may not meet the minimum objectives for growth and return on assets employed. In our opinion, good management dictates a regular pruning of products, product lines or divisions that fail to meet corporate goals.

DIVIDENDS. In 1975, dividends paid to shareholders totaled $7.7 million, or $1.02 per share, up from the $1.00 per share paid in the previous year. The Board of Directors, at its October meeting, raised the regular quarterly dividend rate to 27 cents from 25 cents per share effective with the November 30, 1975 payment. This was an increase in the quarterly rate of 8% and reflected Scott & Fetzer's higher 1975 earnings and improved outlook for 1976. Our Directors believe that a progressive dividend policy dictates a commitment on the part of management to share the growth in earnings with our shareholders. It is our expectation that dividends will continue to increase as Scott & Fetzer's earnings grow.

OUTLOOK. We are optimistic about general business conditions in 1976. Incoming orders and customer inquiries are strong and the predictions are that consumer confidence will continue to rise during 1976. Since a majority of Scott & Fetzer business is directly consumer oriented, we are in a position to benefit immediately from increased consumer purchases.

It is the consensus today of business and government leaders that 1976 will be an impressive year economically. However, it is very important to be extremely sensitive to subtle signs which may forecast a change in economic direction. Some of the basic problems contributing to the recent recession — excessive municipal, state and federal government spending, inadequate gains in productivity of employees in the United States and the other countries of the world, the diminishing influence of the United States in world economics and politics — have not been resolved and could cause further problems for the United States economy. We will be alert to possible changes in direction and move swiftly to offset any negative changes.

We would like to recognize publicly the extraordinary contributions made by the division and corporate management group during a very difficult 1975. Their capability and dedication enable us to face the future with confidence and enthusiasm.

Ralph Schey

RALPH SCHEY
President and
Chief Operating Officer

Niles H. Hammink

NILES H. HAMMINK
Chairman and
Chief Executive Officer

Lakewood, Ohio
February 13, 1976

Dialog with the President*

QUESTION: The American economy seems to be undergoing basic changes. In view of this, what will be Scott & Fetzer's main thrust in 1976?

Mr. Schey: In terms of market requirements, the economy *is* changing, and changing rapidly, but Scott & Fetzer is a marketing-oriented company with special capabilities to respond quickly to such changes. For 1976—which we see as a fairly strong year for the economy—our prime objectives will be to reduce unit costs and achieve additional market penetration.

We will achieve unit cost reduction by continuing to apply some old fashioned techniques such as redesigning products, improving tooling and equipment, increasing employee productivity and modifying distribution practices which would include transportation methods and better evaluation and greater motivation of our distributors and sales personnel.

QUESTION: Looking beyond 1976, what significant developments do you see?

Mr. Schey: Historically, the American consumer has had more discretionary income — that is, money available for purchasing non-essentials after paying for the essentials (food, clothing, shelter, transportation) — than any consumer in the world. This is probably the main reason why we have been able to build such a strong consumer economy in this country.

But this is changing. The American consumer's proportionate share of income available for non-essentials is declining, chiefly because gains in productivity have been insufficient to offset the effects of inflation and the soaring costs of the essentials. This creates problems for consumer-oriented manufacturing companies such as Scott & Fetzer. It means we shall have to struggle harder to get our share of the consumer dollar. One way companies can respond to this is to build better quality products which results in putting less money into service facilities. The consumer can then spend less for service and therefore have more money for new products. This creates new opportunities for us to pursue — the kind we like, because both the consumer and our company benefit as service costs are reduced. This will ultimately give us a more dominant position in our respective markets and provide an opportunity for consistent earnings growth.

**Ralph Schey was elected president, chief operating officer and a director of Scott & Fetzer in September, 1974.*

QUESTION: In the past decade, Scott & Fetzer has had above average growth. Would you discuss your plans for future growth?

Mr. Schey: Scott & Fetzer's growth frequently is looked upon as having come primarily through acquisitions. The fact is that we have achieved considerable growth internally, and we want to increase our emphasis on internal growth in the future.

We define growth in terms of earnings, not just growth in sales. We strongly believe that to attain market leadership we must price aggressively and wisely; nevertheless, a dynamic pricing policy must take into account market size, potential volume, and a continuous program of cost reduction. To increase volume and simply spread overhead over a larger sales base does not provide the

long-term quality earnings that can be achieved by reducing unit material costs or increasing the output per man-hour.

QUESTION: Speaking of acquisitions, this activity has slackened considerably in the past two years. Will this trend continue?

Mr. Schey: We have been looking and will continue to look at acquisitions which meet our corporate objectives. While we are not opposed to entering completely new fields, we feel product lines related, or complementary, to our present categories offer the best opportunity for us to generate the kind of quality earnings growth I referred to previously. An ideal acquisition candidate would either expand our product base in markets we are currently serving, or provide new markets for some existing products, or provide us with advanced technical leadership.

We are frequently asked about divestitures as well as acquisitions. We constantly monitor all of our operations and re-evaluate them in terms of corporate objectives. This is a corporate management responsibility—putting the funds shareholders have invested in the business to the most profitable use. Since our diversification program began in 1964 we have divested only four companies, but we continually re-evaluate the contribution of each division. If we cannot solve a division's problems, in the long-run, we would divest the business and put the funds to better use.

QUESTION: You have talked about quality in earnings growth and the use of shareholders' invested funds. Aren't these embodied in "return on assets"?

Mr. Schey: Yes, a prime corporate management duty is to manage the shareholders' assets efficiently. The measurement of how well management does this is the return on assets. Occasionally, sales growth is overemphasized, but management's principal responsibility to the shareholders is to optimize return on assets.

Maintaining a certain minimum return on assets is important because this is the yardstick management must use in determining where and how to employ the corporate resources. All business decisions involve risk and reward, and the return on assets is a vital part of decision making. A *minimum* 15% net after-tax return on assets is an important consideration in a decision to invest money.

QUESTION: In a year when many companies reduced or omitted their dividends, Scott & Fetzer increased its quarterly dividend rate 8% in 1975. Would you comment on your dividend policy?

Mr. Schey: Too often, the shareholder is the forgotten party. Other members of the corporate group—employees, management, customers, suppliers—share in the prosperity of the company, but frequently the shareholder does not. We feel that an established pattern of dividends is essential to attracting and holding shareholders. Looking at their position in the corporate enterprise, investors must see something better a year or two or three from now than they do today.

Somehow, in our country, the attitude sometimes exists that people who buy stock are speculators and as speculators they are not necessarily entitled to the same rewards out of the enterprise as the other members of the corporate enterprise. Dividends and profits play a most vital role in the creation of jobs and the continuation of a higher standard of living for our country. It is our policy that investors should share in the increasing profits of the company and that dividends are part of the overall cost of doing business.

QUESTION: Your financial statements for 1975 show that the company's financial position was notably improved during the year. Would you enlarge upon this?

Mr. Schey: Scott & Fetzer has always been a well-financed company, attributable in large measure to consistent earnings growth and extraordinary positive cash flow. Two of the company's great strengths are its financial resources and its people, both of which are stronger now than at any time in its 62-year history. Many of the changes we will want to make, such as product additions, methods improvements and acquisitions, will require capital, but we are confident our funds will be ample. We do not contemplate any cash requirements in the foreseeable future which would require additional outside financing.

In most instances our operating facilities are modern and our factory space is sufficient to handle currently projected increases in volume. Our capital expenditure levels will increase as we put greater emphasis on cost reduction, productivity improvement, quality upgrading, and new product activities.

QUESTION: Managing a company with uncommon composition in its product lines must present special problems, but Scott & Fetzer obviously has done well in this area, based on its record. Would you briefly outline your management structure?

Mr. Schey: I work through the Group Vice Presidents, each of whom in turn has a group of divisions reporting to him. A Group Vice President has an operational and planning role in his relationships with divisions. They are seasoned line managers and experienced problem solvers. If one of their divisions requires assistance, they have the necessary knowledge of manufacturing, engineering and finance to take an active part in solving the problem. Our other corporate office personnel are principally in the functions of legal and finance. We do not, for example, have staff marketing groups or staff technical groups.

The primary responsibility for long-range planning rests with Mr. Hammink and me, but we draw heavily from the corporate vice presidents who help formulate strategy and tactics.

QUESTION: As you look ahead, what do you see as the leading challenge for Scott & Fetzer management?

Mr. Schey: To provide the opportunities and challenges that inspire people who want to succeed. Motivation in the future will require different approaches than have been used in the past. If we provide the proper working environment for people, they will find ways to solve a variety of problems which will ultimately result in superior earnings growth. The excellent earnings record of Scott & Fetzer in the past has been due to the effort and industry of many dedicated and talented people. Our challenge is to continue to provide that kind of leadership in the future.

Financial Review

J. F. Bradley, *Executive Vice President — Finance*

For the 1975 fiscal year, consolidated sales totaled $284 million, about 2% below last year's $291.3 million. Income before taxes increased to $32.8 million from $25.9 million in 1974. Net income after taxes was $17 million, or $2.26 per share, approximately 25% above the $13.7 million and $1.81 per share earned last year.

The decline in sales volume reflected generally lower unit volume largely offset by higher selling prices. The commercial/industrial and leisure time classifications in 1975 attained higher dollar sales volume, while floor care was about level. Electrical and lighting sales were lower.

The higher earnings came from improved results in the floor care, commercial/industrial and electrical classifications. The leisure time and lighting categories experienced decreased earnings.

The sales and income before taxes for the five market classifications for 1975 compared with 1974 and the previous three years, as well as the 1975 results by quarters, are shown on page 13. The following sections contain a discussion of the specific trends in each of the market classifications.

MARKET CLASSIFICATIONS

Floor Care. 1975 sales were $72 million, about 1% below the $72.9 million recorded last year. This was 25% of Scott & Fetzer's total sales, the same as in 1974. Income before taxes increased 40% to $16.3 million, or 50% of the total earnings, from $11.6 million and 45% last year. The slightly lower dollar sales reflected reduced volume at the American-Lincoln division partially offset by higher dollar sales in the Kirby division. Although the total year's unit volume for the Kirby division was moderately below the 1974 level, dollar sales volume in the third and fourth quarters was ahead of the 1974 periods reflecting higher unit volume and selling prices. This resulted in a slight overall increase in dollar volume for Kirby in 1975 compared with the prior year. Income before taxes for the floor care product lines was substantially above the 1974 level due to improved operating results in all of the product lines, particularly in the Kirby and Douglas divisions. The American-Lincoln division's earnings also improved despite lower sales volume.

Commercial/Industrial. Dollar sales volume for 1975 was $82.8 million, or 29% of total sales, compared with $80.6 million and 28% in the prior year. Income before taxes rose to $6 million from $3.3 million in 1974. The higher sales reflected primarily the increase in volume experienced by the Douglas division in demand for its tank track links. The Campbell-Hausfeld, Meriam Instrument and Cardinal Plastics divisions also achieved increased sales volume. Partially offsetting these increases were lower sales in most of the other divisions in this classification, particularly the Streamway Products, Flex-N-Gate, Metalsmiths and Stahl Metal Products divisions whose businesses were adversely affected by the recession. The higher earnings came from the Douglas, Humphreys Leather Goods, Cardinal Plastics, Meriam Instrument and Kingston divisions. Results for the other divisions were below the 1974 levels, particularly the Campbell-Hausfeld division which experienced losses in the chain saw product line and excess capacity costs due to lower than anticipated production volume in the new two-stage compressor plant.

Leisure Time. Sales for 1975 increased to $68.3 million from $64.2 million last year and accounted for 24% of total sales, up from 22% in 1974. Income before taxes, however, declined to $3.4 million compared with $4.3 million in the prior year. The Campbell-Hausfeld and Carefree of Colorado divisions enjoyed record demand for their products. The Valley Tow-Rite division had modestly higher dollar sales but lower unit volume, and the Powerwinch/Ja-Son division experienced slightly lower dollar sales and reduced unit volume. Sales for this classification in 1975 compared with 1974 also were affected by the absence of volume for the Lakewood Industries division which was sold in mid-1974. Income before taxes for the leisure time product lines was substantially below the 1974 level due to the major decrease in operating profits for products in this classification at the Campbell-Hausfeld division. This division experienced lower sales volume and production levels earlier in the year, particularly during the first quarter, resulting in an operating loss during that period and lower results than 1974 due to underutilized capacity during the balance of the year. The Valley Tow-Rite and Powerwinch/Ja-Son divisions also had lower earnings for 1975 compared with the previous year. Conversely, the Carefree of Colorado division achieved a record earnings level well above any prior year, reflecting the demand for its recreational vehicle awnings.

Electrical. 1975 sales of $37.2 million were 12% below the $42.3 million level of 1974. The 1975 volume accounted for 13% of Scott & Fetzer's total sales, down from 14% last year. Conversely, income before taxes rose 18% to $7 million from $6 million in the prior year. The decrease in sales for 1975 was due largely to the lower volume at the Halex division, reflecting reduced demand for electrical conduit fittings due to the decline in construction activities. The Kingston and Northland Electric Motors divisions also had moderately lower sales. These reductions were partially offset by record sales volumes at the Adalet and PLM Products divisions resulting from peak demand for their products in the energy-related markets. The improved earnings reflected the substantial increases achieved by the Adalet and PLM Products divisions and the improved operating results in the Douglas and Northland Electric Motors divisions. These gains were reduced by lower results at the Halex, Kingston and France Manufacturing divisions.

Lighting. For 1975, sales volume was $23.7 million, or 9% of the total, compared with $31.3 million and 11% last year, a decline of 24%. Income before taxes amounted to $31,000, substantially below the $781,000 earned in 1975. All five lighting divisions experienced reduced sales as a result of the economic recession and the depressed housing industry. The earnings decline reflected the sharp drop in dollar sales and the even greater decrease in unit production. Based on current trends, the rate of new home construction should be materially higher in 1976 than in 1975 and the level of lighting business correspondingly higher. Most of this improvement, however, probably will occur in the latter part of 1976.

INCOME TAXES

The 1975 provision for federal, Canadian, state and local income taxes amounted to $15.7 million compared with $12.2 million last year. This equates to an effective rate of 48% of income before taxes, up from 47.2% in 1974. The table below shows the calculation of the tax provision for 1975 and last year:

	($000's)	
	1975	1974
Income before taxes	$32,791	$25,931
Less state and local	1,451	1,203
Income before federal and Canadian taxes	$31,340	$24,728
Income taxes at 48% statutory rate	15,043	11,870
Deduct tax credits for:		
Investment tax credit	380	705
"DISC" export operations	241	239
Lower Canadian tax rate	—	63
Other adjustments, net	130	(169)
Federal and Canadian provision	14,292	11,032
Net income	$17,048	$13,696

The increased tax rate for 1975 was due primarily to the lower investment tax credit for new machinery and equipment reflecting the major reduction in capital expenditures in 1975. The "DISC" export tax credit was about the same as in 1974, while the credit for lower Canadian income tax rates was eliminated in 1975 due to decreased Canadian earnings. These various tax credits contributed 8 cents per share to 1975 earnings compared with 13 cents last year.

ANALYSIS OF EARNINGS

Net income and earnings per share ran below the 1974 levels in the first and second quarters; however, business trends and Scott & Fetzer's results improved substantially in the last six months compared with the year earlier periods, resulting in a significant gain in net income and earnings per share for the year versus the 1974 levels. The table below summarizes the principal reasons for the earnings increase in 1975 compared with the prior year:

	Net Income ($000's)	Earnings Per Share
1974	$13,696	$1.81
Increase (Decrease) in 1975 from:		
Effect of labor strikes in 1974	720	.10
Improved operating results	2,540	.34
Lower net interest costs	478	.06
Reduced tax credits	(386)	(.05)
Net change	3,352	.45
1975	$17,048	$2.26

The increase in net income after taxes for 1975 was $3.4 million of which $2.5 million came from the improved operating results of the divisions and approximately $0.7 million from the absence of the labor strikes that affected 1974. The significant cost reduction and austerity programs instituted in late 1974 played a major role in the improved operating results of the divisions. The net interest costs (interest expense less interest income, on an after-tax basis) were reduced by $478,000, equivalent to 6 cents per share. As discussed earlier, the reduced tax credits increased taxes by $386,000 and decreased earnings per share 5 cents.

FINANCIAL POSITION

During 1975 there was a significant change in Scott & Fetzer's financial position as a result of two major factors. First, the company achieved a large reduction in the inventory investment. Secondly, in May 1975 the company sold its first public long-term debt issue in the form of a 9% ten-year note issue. As a result, working capital (current assets less current liabilities) increased to $100.6 million at November 30, 1975 from $84.5 million at the prior year end. The higher working capital of $16.1 million principally reflects a substantial increase in cash and securities resulting from the lower inventory level and the proceeds remaining from the note issue not used to repay bank loans.

At year end, total long-term debt was $34.8 million, up $7.4 million from the $27.4 million at November 30, 1974. The higher long-term debt resulted from the sale of the $30-million 9% ten-year note issue offset by the reduction in $24.6 million of bank loans outstanding at November 30, 1974. The balance of the increase reflects the industrial development bonds issued in February to finance the new plant for the Powerwinch/Ja-Son division in Connecticut.

At the end of 1975, shareholders' equity totaled $109.5 million, $9.4 million above the prior year-end level. This was equivalent to $14.49 per share compared with $13.25 at the end of 1974.

QUARTERLY DATA FOR 1975

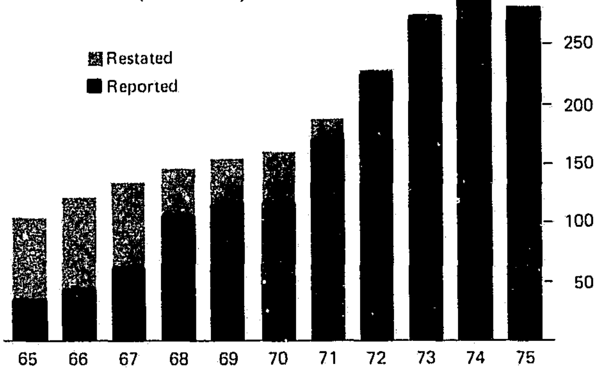
The table below contains the quarterly operations figures for 1975:

(dollar amounts in thousands except per share data)

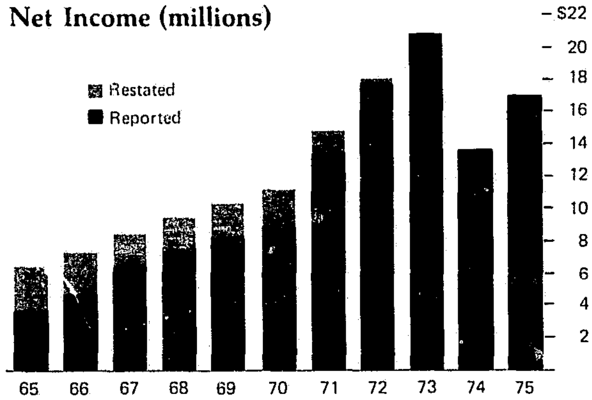
	1975 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Sales	$57,566	$74,712	$75,477	$76,265
Costs and operating expenses	51,791	65,314	65,243	66,991
Other (deductions)	(670)	(673)	(430)	(117)
Income before income taxes	5,105	8,725	9,804	9,157
Provision for income taxes				
State and local	250	412	436	353
Federal and Canadian	2,227	3,751	4,484	3,830
Net income	$ 2,628	$ 4,562	$ 4,884	$ 4,974
Earnings per share	$ .35	$ .60	$ .65	$ .66

Historical Record, 1965-1975

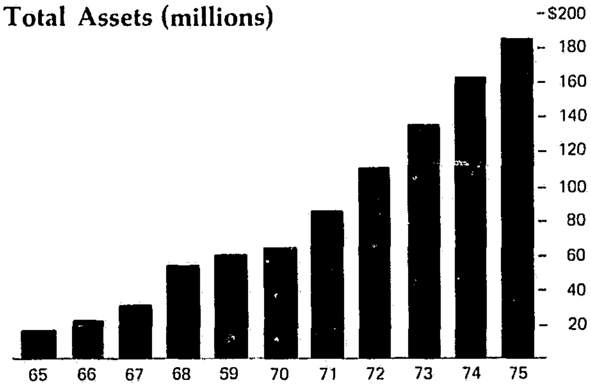
Net Sales (millions)



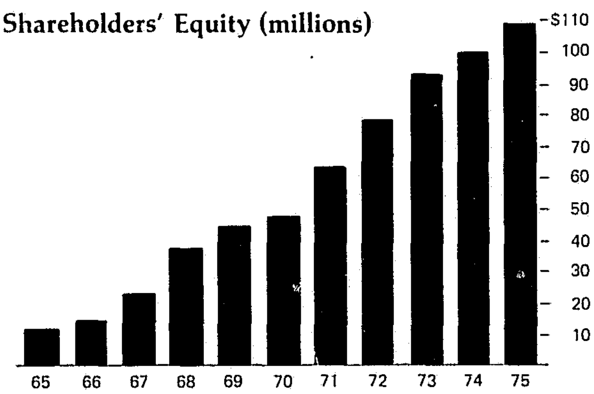
Net Income (millions)



Total Assets (millions)



Shareholders' Equity (millions)



(Dollar Amounts in Thousands Except Per Share Data)

AS REPORTED*	1975	1974	1973
Net Sales	$284,020	$291,258	$270,714
Income Before Taxes	32,791	25,931	40,064
Net Income	17,048	13,696	20,869
Cash Dividends	7,706	7,554	7,456
Per cent Payout of Net Income	45.2	55.2	35.7
Earnings Retained and Reinvested	9,342	6,142	13,413
Capital Expenditures	6,064	12,473	12,753
Working Capital	100,602	84,496	60,505
Long-Term Debt	34,772	27,424	3,334
Total Assets	184,177	162,729	136,076
Shareholders' Equity	109,496	100,137	93,837
Per cent Return on Shareholders' Equity	15.6	13.7	22.2
Per Share			
Earnings	2.26	1.81	2.76
Dividends	1.02	1.00	1.00
Book Value	14.49	13.25	12.44
Market Price Range†	22-8 1/8	25 5/8-8 3/8	44 3/4-24 1/8
Price Earnings Ratio†	10	9.4	11.3
Year-End Data			
Shares Outstanding (000's)	7,556	7,555	7,544
Number of Share-holders of Record	10,105	9,896	8,498
Number of Employees	7,084	7,481	8,296
RESULTS RESTATED FOR POOLINGS**			
Net Sales	$284,020	$291,258	$270,714
Income Before Tax	32,791	25,931	40,064
Per cent to Sales	11.5	8.9	14.8
Net Income	17,048	13,696	20,869
Per cent to Sales	6.0	4.7	7.7
Earnings Per Share	2.26	1.81	2.76

1972	1971	1970	1969	1968	1967	1966	1965
$223,610	$169,036	$116,368	$115,489	$106,295	$ 60,058	$ 41,331	$ 33,350
35,760	26,734	17,571	17,076	16,047	11,969	8,734	6,845
17,723	13,368	8,864	8,389	7,697	6,300	4,579	3,620
5,886	4,768	4,532	4,518	3,500	2,426	2,276	1,919
33.2	35.7	51.1	53.9	45.5	38.5	49.7	53.0
11,837	8,600	4,332	3,871	4,197	3,874	2,303	1,701
7,941	5,872	3,784	3,100	1,591	994	610	704
54,581	45,142	34,672	33,599	29,769	15,879	9,478	8,409
3,892	4,635	3,712	4,258	4,781	1,441	1,144	1,050
110,540	85,742	64,112	60,131	54,497	30,996	21,041	16,282
78,836	63,199	47,719	44,485	37,298	22,668	14,518	11,890
22.5	21.2	18.6	18.9	20.6	27.8	31.5	30.4
2.41	1.95	1.56	1.47	1.46	1.39	1.20	.97
.83	.80	.80	.80	.72	.60	.60	.54
10.76	9.24	8.50	7.83	7.08	5.00	3.81	3.19
45¾-26⅛	29⅛-16¾	17¼-10⅛	29⅜-13	32½-24	32¾-10⅜	14½-10	12½-9
14.9	11.8	8.8	14.4	19.3	15.5	10.2	11.1
7,326	6,843	5,616	5,679	5,271	4,535	3,811	3,726
8,697	10,172	11,445	10,519	9,814	4,750	4,376	4,196
6,917	5,499	4,317	4,057	3,982	1,677	1,131	769
$229,361	$188,730	$161,112	$154,530	$146,721	$134,426	$122,531	$105,069
36,722	29,722	22,527	21,072	19,764	16,280	14,117	12,567
16.0	15.7	14.0	13.6	13.5	12.1	11.5	12.0
18,189	14,846	11,377	10,434	9,662	8,694	7,454	6,688
7.9	7.9	7.1	6.8	6.6	6.5	6.1	6.4
2.40	1.97	1.53	1.39	1.29	1.16	.99	.89

* "As Reported" includes divisions acquired by poolings of interests from year of acquisition.

** "Results Restated" includes operations for divisions acquired by poolings of interests for the years prior to the year of acquisition.

† Source: Moody's Investors Service.

Summary of Operations

	(dollar amounts in thousands except per share data) Years Ended November 30				
	1975	1974	1973	1972	1971
Net sales	$284,020	$291,258	$270,714	$229,361	$188,730
Cost of goods sold	213,758	226,393	196,589	163,318	133,159
Interest expense	2,846	2,593	650	533	627
Interest income	1,305	132	429	387	273
Provision for income taxes					
State and local	1,451	1,203	1,671	1,538	1,137
Federal and Canadian					
Current	13,286	9,907	17,115	16,867	13,920
Deferred	1,006	1,125	409	128	(181)
Total taxes	15,743	12,235	19,195	18,533	14,876
Net income	$ 17,048	$ 13,696	$ 20,869	$ 18,189	$ 14,846
Per Share					
Earnings per common and common equivalent share	$ 2.26	$ 1.81	$ 2.76	$ 2.40	$ 1.97
Dividends	1.02	1.00	1.00	.83	.80
Average number of common and common equivalent shares (000's)	7,559	7,553	7,571	7,563	7,537

Management's Discussion and Analysis of the Summary of Operations

1975 VERSUS 1974

Sales volume for 1975 was 2% below 1974, with the decrease reflecting generally lower unit volume in most product areas partially offset by increased selling prices.

Cost of goods sold decreased 6% with higher material and labor costs being offset by lower unit volume and improved operating efficiencies. The greater interest costs resulted from a $30-million 9% ten-year note issue which replaced bank loans used in 1974 and the first half of 1975. Higher interest income was realized in 1975 from short-term investments made of those note proceeds in excess of the amount needed to pay the outstanding bank loans together with the cash generated during the year from operations, largely inventory reduction.

The effective tax rate for 1975 was 48% compared with 47.2% in 1974. The higher effective tax rate primarily resulted from reduced investment tax credits as a result of lower expenditures in 1975 for new machinery and equipment. The total provision for income taxes increased in 1975 due to higher income before taxes.

1974 VERSUS 1973

Sales volume in 1974 was 8% above 1973, with the increase accounted for primarily by higher selling prices.

The company changed its method of accounting for inventories to the last-in, first-out (LIFO) method. This was done because the rapid increase in prices during the year would have resulted in an overstatement of profits if use of the first-in, first-out (FIFO) method were continued since inventories sold were replaced at substantially higher prices. The effect on reported earnings for the year was a decrease of $4,250,000, or $.56 per share. The greater interest costs reflect the higher rates and bank loans required to finance the growth in the company's working capital, principally inventories.

The effective tax rate for 1974 was 47.2% compared with 47.9% in 1973. The decrease in the effective rate was due primarily to higher investment tax credits and increased export activities of the "DISC" subsidiary. The lower taxes also resulted from decreased income before taxes in 1974, partially due to the change noted above in the inventory accounting method. The increase in deferred federal taxes arose from the excess of tax versus book depreciation as a result of the higher level of capital expenditures in 1973 and 1974.

Sales and Income Before Taxes by Market Classifications

(Dollar Amounts in Thousands)

	FLOOR CARE		COMMERCIAL/ INDUSTRIAL		LEISURE TIME		ELECTRICAL		LIGHTING	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
SALES										
1975	**$71,955**	**25%**	**$82,839**	**29%**	**$68,255**	**24%**	**$37,226**	**13%**	**$23,745**	**9%**
1974	72,885	25%	80,625	28%	64,206	22%	42,279	14%	31,263	11%
1973	75,303	28%	77,032	29%	54,745	20%	33,016	12%	30,618	11%
1972	61,700	27%	69,221	30%	42,113	18%	29,764	13%	26,563	12%
1971	51,228	27%	60,298	32%	29,849	16%	25,919	14%	21,436	11%
INCOME BEFORE TAXES										
1975	**$16,314**	**50%**	**$ 6,013**	**18%**	**$ 3,388**	**10%**	**$ 7,045**	**22%**	**$ 31**	**—**
1974	11,613	45%	3,293	13%	4,270	16%	5,974	23%	781	3%
1973	16,620	41%	10,104	25%	7,043	18%	4,607	12%	1,690	4%
1972	14,240	39%	8,980	24%	6,833	19%	4,847	13%	1,822	5%
1971	11,174	38%	8,623	29%	3,981	13%	4,228	14%	1,716	6%
1975 BY QUARTER										
SALES										
First	$15,039		$17,859		$11,125		$ 8,087		$ 5,456	
Second	18,588		20,561		20,386		9,110		6,067	
Third	18,359		21,320		20,668		9,329		5,801	
Fourth	19,969		23,099		16,076		10,700		6,421	
INCOME BEFORE TAXES										
First	$ 2,875		$ 736		$ 134		$ 1,283		$ 77	
Second	4,109		1,260		1,915		1,653		(212)	
Third	3,985		2,530		1,563		1,648		78	
Fourth	5,345		1,487		(224)		2,461		88	

Common Stock Market Price and Dividend Information

	Market Price of Common Shares				Dividends Per Share	
	1975		1974			
Fiscal Quarter	High	Low	High	Low	1975	1974
First	$12⅝	$ 8⅛	$25⅝	$16¼	$.25	$.25
Second	16	11⅜	21½	15½	.25	.25
Third	19⅝	14	17¾	10	.25	.25
Fourth	22	15¼	11	8⅜	.27	.25

Consolidated Balance Sheet

The Scott & Fetzer Company and Subsidiary Companies

(Dollar Amounts in Thousands)

	November 30	
ASSETS	1975	1974
CURRENT ASSETS:		
Cash	$ 530	$ 4,854
Certificates of deposit	33,797	283
Short-term investments	4,050	50
Trade receivables, less allowance for doubtful accounts 1975 — $810 1974 — $996	38,714	38,379
Other receivables	1,310	892
Inventories:		
Raw material and supplies	28,651	35,717
Work in process	13,771	15,366
Finished goods	13,157	19,444
	55,579	70,527
Prepaid expenses	2,874	2,028
TOTAL CURRENT ASSETS	136,854	117,013
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	2,069	2,073
Buildings	16,334	13,441
Machinery and equipment	52,897	51,572
	71,300	67,086
Accumulated depreciation	27,149	24,057
TOTAL PROPERTY, PLANT AND EQUIPMENT	44,151	43,029
INTANGIBLE ASSETS ARISING FROM ACQUISITIONS	2,149	2,178
OTHER ASSETS	1,023	509
	$184,177	$162,729

The accompanying Notes to Financial Statements and Summary of Accounting Policies are an integral part of these financial statements.

LIABILITIES	November 30 1975	1974
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 1)	$ 440	$ 448
Accounts payable, trade	19,308	20,647
Accounts payable, other	1,282	1,051
Federal and Canadian income taxes	4,332	1,787
Accrued taxes, other	1,718	1,982
Accrued liabilities for payroll, pension funds, commissions, interest and other	9,172	6,602
TOTAL CURRENT LIABILITIES	36,252	32,517
LONG-TERM DEBT (Note 1)	34,772	27,424
DEFERRED INCOME TAXES	3,657	2,651
TOTAL LIABILITIES	74,681	62,592
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 6)		
Stated value of issued shares $1.25 per share		
1975 — 7,558,185 less 2,161 in treasury		
1974 — 7,558,185 less 3,361 in treasury	9,445	9,444
ADDITIONAL CAPITAL (Note 6)	5,707	5,691
RETAINED EARNINGS (Note 1)	94,344	85,002
TOTAL SHAREHOLDERS' EQUITY	109,496	100,137
	$184,177	$162,729

Statement of Income and Retained Earnings

The Scott & Fetzer Company and Subsidiary Companies

(Dollar Amounts in Thousands Except Per Share Data)

	Year Ended November 30	
	1975	1974
NET SALES	$284,020	$291,258
Cost of goods sold	213,758	226,393
Gross profit	70,262	64,865
Selling, general and administrative expenses	35,581	36,751
Operating profit	34,681	28,114
Other income (deductions)		
Interest expense	(2,846)	(2,593)
Interest income	1,305	132
Licenses and royalties	17	136
Other, net	(366)	142
	(1,890)	(2,183)
Income before provision for income taxes	32,791	25,931
Provision for income taxes		
State and local	1,451	1,203
Federal and Canadian		
Current	13,286	9,907
Deferred	1,006	1,125
	15,743	12,235
NET INCOME	17,048	13,696
Retained earnings, beginning of year	85,002	78,860
	102,050	92,556
Cash dividends	7,706	7,554
Retained earnings, end of year	$ 94,344	$ 85,002
PER SHARE		
Earnings per common and common equivalent share	$ 2.26	$ 1.81
Dividends	$ 1.02	$ 1.00
Average number of common and common equivalent shares outstanding (000's)	7,559	7,553

The accompanying Notes to Financial Statements and Summary of Accounting Policies are an integral part of these financial statements.

Statement of Changes in Financial Position

The Scott & Fetzer Company and Subsidiary Companies

(Dollar Amounts in Thousands)

	Year Ended November 30 1975	1974
SOURCE OF FUNDS		
From operations:		
Net income	$ 17,048	$ 13,696
Depreciation and amortization	4,902	4,207
Deferred federal income taxes	1,006	1,152
Total from operations	22,956	19,055
Proceeds from issuance of long-term debt, net	31,639	24,600
Sale of common stock under stock options	17	158
Disposal of fixed assets	112	448
Other, net increase	204	320
	54,928	44,581
APPLICATION OF FUNDS		
Cash dividends	7,706	7,554
Additions to property, plant and equipment	6,064	12,473
Decrease in long-term debt	25,052	510
Intangibles acquired from acquisitions	—	53
	38,822	20,590
INCREASE IN WORKING CAPITAL	$ 16,106	$ 23,991
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL		
Current assets:		
Cash and certificates of deposit	$ 29,190	$ 4,042
Short-term investments	4,000	(218)
Trade and other receivables	753	4,885
Inventories	(14,948)	10,179
Prepaid expenses	846	214
	19,841	19,102
Current liabilities:		
Notes and current portion of long-term debt	(8)	(8,248)
Trade and other payables	(1,108)	7,095
Accrued liabilities, including taxes	4,851	(3,736)
	3,735	(4,889)
INCREASE IN WORKING CAPITAL	$ 16,106	$ 23,991

The accompanying Notes to Financial Statements and Summary of Accounting Policies are an integral part of these financial statements.

Notes to Financial Statements

1. LONG-TERM BORROWINGS

Long-term borrowings at November 30, 1975 are as follows (dollars in thousands):

	Current	Non-current
Notes, 9%, due May 15, 1985	$ —	$30,000
Mortgage notes, 5½% to 6½%, maturities to 1982	104	385
Insurance company loan, 6%, maturities to 1980	200	1,300
Obligations under Lease/Purchase Agreements, 4¼% to 8%, maturities to 1988	136	3,087
	$440	$34,772

In May 1975, the Company sold $30,000,000 of 9% notes, due May 15, 1985. The net proceeds were used in part to repay the then outstanding borrowings under a revolving credit agreement with five banks, which was cancelled. The effective interest rate approximates 9.19% after deducting original issue discount.

Under the terms of the note indenture, the Company's cumulative dividends after December 1, 1974 cannot exceed the sum of, net income after that date, the amount of $15,000,000, and net proceeds from the sale of stock to the extent such proceeds do not exceed amounts expended for acquisition of capital stock or other capital distributions or redemptions other than dividends on capital stock. Under these provisions, retained earnings unrestricted for the payment of dividends amounted to $24,341,000 at November 30, 1975. In addition, the indenture limits the issuance or guarantee of new debt to an amount not to exceed 5% of consolidated shareholders' equity and prohibits additional encumbrances of any principal property of the Company or its domestic subsidiaries. The notes may be redeemed by the Company at face value plus accrued interest beginning May 15, 1982. Original issue discount and costs of issuance amounting to $640,000 are being amortized over the life of the notes on a straight-line basis.

Mortgage notes require aggregate monthly payments of $10,900 including interest.

The insurance company loan is payable in annual installments of $200,000 on December 31 of each year, with a balance of $500,000 due in 1980.

Under the terms of five Lease/Purchase Agreements (one of which includes equipment) the Company is obligated for annual rentals during the terms of the leases in amounts sufficient to meet the interest and debt retirement requirements of the related Industrial Development 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.

The Company has unused lines of credit with seven banks amounting to $16,000,000. Although withdrawal is not legally restricted, the Company is expected to and does maintain compensating balances equal to 10% of the lines of credit.

Aggregate maturities of long-term debt during the five-year period November 30, 1976 through 1980 are $440,000, $421,000, $424,000, $429,000 and $383,000 respectively.

2. LONG-TERM LEASES

For leased facilities not capitalized and therefore not reflected on the balance sheet, the approximate minimum annual rentals under non-cancelable leases with terms of more than one year, as of November 30, 1975, amount to the following (thousands of dollars):

Years ending November 30	All Leases Land and Buildings	Machinery and Equipment	Total	Total for Financing Leases
1976	$ 2,332	$ 425	$ 2,757	$ 1,743
1977	2,218	216	2,434	1,599
1978	2,058	107	2,165	1,431
1979	1,778	48	1,826	1,229
1980	1,694	24	1,718	1,168
1981-1985	7,799	20	7,819	5,484
1986-1990	3,958	—	3,958	2,658
1991-1995	455	—	455	116
After 1995	51	—	51	—
Total rental commitments	$22,343	$ 840	$23,183	$15,428

The present values of the minimum lease commitments for all non-capitalized financing leases as of November 30, 1975, are as follows:

Land and buildings	$10,145,000
Machinery and equipment	608,000
Total	$10,753,000

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 12.0% and averaged 6.91%. 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, 1975 and 1974 amounted to $3,711,000 and $3,487,000 respectively, of which $1,818,000 and $1,322,000 respectively, were applicable to financing lease rentals.

3. STOCK OPTIONS

The Company adopted common stock option plans in 1967 and 1973 for which 91,800 shares and 125,100 shares, respectively, are reserved for issuance under outstanding options at November 30, 1975. Under the 1973 plan, 224,900 shares are reserved for future grant.

Only qualified options have been granted under the plans. Non-qualified options may be granted under the 1973 plan. Under both plans, the option price may not be less than the market value at the date of grant. Granted options are exercisable one-fourth each year and expire five years after grant. The options granted in 1975 were under the 1973 plan.

Information at November 30, 1975 relating to options is set forth below:

	Number of Shares	Option Price Average Per Share	Option Price Total	Market Price Average per Share	Market Price Total
Options granted:					
1974	115,300	$19.50	$2,248,350	$19.50	$2,248,350
1975	20,500	12.29	251,938	12.29	251,938
Options becoming exercisable:					
1974	36,485	29.36	1,071,505	19.95	727,712
1975	54,716	26.22	1,434,861	11.13	609,043
Options exercised:					
1974	11,075	14.14	156,606	21.41	237,144
1975	1,200	14.75	17,700	19.67	23,604
Options outstanding:					
1974	223,325	25.73	5,745,144	25.73	5,745,144
1975	216,900	25.01	5,425,500	25.01	5,425,500

Certain options granted under the plans have corresponding contingent options under the 1973 plan which may be exercised only upon the lapsing of existing options.

During 1975 and 1974, options for 25,725 shares and 31,475 shares, respectively, were cancelled. The Company makes no charge against income with respect to options.

4. PENSION AND RETIREMENT PLANS

The Company and its subsidiaries have in effect various non-contributory trusteed pension and profit-sharing plans for salaried and hourly personnel at different divisions. Contributions under the plans charged to operations were $2,369,000 and $2,236,000 for the years ended November 30, 1975 and 1974, respectively. These include, as to certain of the plans, amortization of past service costs over periods ranging from 24 to 40 years. The amount required to fund past service costs is estimated at $12,898,000. 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 $2,809,000 at November 30, 1975.

5. CONTINGENT LIABILITIES

Any liability that may result from lawsuits and other claims pending against the Company and its subsidiaries as of November 30, 1975 will not be material in the opinion of management of the Company.

6. CAPITAL STOCK

Changes in the common stock and additional capital accounts during the two years ended November 30, 1974 and 1975 were as follows (dollars in thousands):

	Common Stock			
	Treasury Shares	Issued Shares	Stated Value	Additional Capital
Balance, November 30, 1973	(14,436)	7,558,185	$9,429	$5,548
Sale of stock under options	11,075	—	15	143
Balance, November 30, 1974	(3,361)	7,558,185	9,444	5,691
Sale of stock under options	1,200	—	1	16
Balance, November 30, 1975	(2,161)	7,558,185	$9,445	$5,707

7. FEDERAL AND CANADIAN INCOME TAXES

The effective income tax rates were 45.60% for the year ended November 30, 1975 and 44.61% for 1974. The difference between these rates and the statutory U. S. income tax of 48% resulted from:

	Year ended November 30,	
	1975	1974
Investment tax credit	1.21%	2.85%
Other, net	1.19	.54
	2.40%	3.39%

Summary of 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.

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

Short-Term Investments—Marketable and short-term investments are valued at cost, which approximates market value.

Inventory Valuation—The last-in, first-out method of inventory valuation is used for a majority of domestic inventories. The majority of the remaining inventory is valued at average cost. Inventory valuations are at the lower of cost or market.

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, repair and ordinary renewals are charged to costs.

Depreciation—Straight-line and accelerated methods are used in the computation of depreciation for financial reporting 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.

Business Combinations—Where combinations qualify as "poolings of interests" the current results of operations include those of acquisitions for the entire year and financial statements of the preceding year are restated. Acquisitions which constitute "purchases" are included from the date of acquisition, and amounts assigned to intangibles after 1970 are amortized on a straight-line basis over a 40-year period. Amortization is not taken on intangibles from prior to 1971 because, in the opinion of the Company, there has been no diminution in value. There were no combinations during 1975.

Translation of Foreign Currencies—The accounts of Canadian subsidiaries 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, which are insignificant, 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.

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, 1975 and the related consolidated statement of income and retained earnings, and the statement of changes in financial position 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 previously examined and reported on the consolidated financial statements of the Company and subsidiaries for the year ended November 30, 1974.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of The Scott & Fetzer Company and subsidiary companies at November 30, 1975 and 1974, the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Cleveland, Ohio
January 21, 1976

Report of the Board of Directors' Audit Committee

This is the first annual report to you by the Audit Committee of the Board of Directors.

The outside directors comprise the Audit Committee which meets at least four times annually with the Company's public auditors — Coopers & Lybrand — the manager of internal audit and the corporate financial and executive officers to review and monitor Scott & Fetzer's financial control policies and procedures. We receive all internal monthly divisional and corporate financial statements as well as copies of internal audit reports and special management operating and financial analyses.

The committee is generally satisfied with the Company's financial control system and believes a substantial improvement has been made during the last two years in the cost and accounting systems, although we recognize, as does the Management, that there is still room for improvement in this area. We believe there has been a measurable upgrading of divisional financial personnel. Where weaknesses have shown up in divisional financial control systems, we have been fully and timely informed by the corporate management and are monitoring, with the assistance of the external and internal audit managers, the strengthening of these systems.

We wish to commend the Company's management and financial personnel as well as the Coopers & Lybrand auditors for the cooperation and support we have received in carrying out our Audit Committee responsibilities.

For the Audit Committee

J A Hughes

Cleveland, Ohio
January 22, 1976

James A. Hughes
Chairman

Directors/Corporate Management

DIRECTORS

JOSEPH T. BAILEY
Chairman, President and Chief Executive Officer, The Warner & Swasey Co., *Manufacturer of machine tools, construction equipment, and textile machinery*

J. F. BRADLEY
Executive Vice President—Finance

RAYMOND E. CHANNOCK
Consultant and formerly President, Acme-Cleveland Corporation, *Manufacturer of cutting and threading tools, machine tools, and production systems*

NILES H. HAMMINK
Chairman and Chief Executive Officer

JAMES A. HUGHES
Chairman, Finance Committee, Diamond Shamrock Corporation, *Diversified chemicals and oil and gas producer*

QUIGG LOHR
Senior Executive Vice President

RALPH SCHEY
President and Chief Operating Officer

THOMAS W. SMITH
General Partner, Prescott Associates, *Private investments*

Audit Committee
JAMES A. HUGHES, Chairman
THOMAS W. SMITH
JOSEPH T. BAILEY
RAYMOND E. CHANNOCK

Executive Committee
NILES H. HAMMINK, Chairman
J. F. BRADLEY
QUIGG LOHR
RALPH SCHEY

Investment Committee
QUIGG LOHR, Chairman
THOMAS W. SMITH
RAYMOND E. CHANNOCK

CORPORATE MANAGEMENT

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Chairman and Chief Executive Officer

RALPH SCHEY
President and Chief Operating Officer

QUIGG LOHR
Senior Executive Vice President

J. F. BRADLEY
Executive Vice President—Finance

JOHN BEBBINGTON
Group Vice President

CARL W. GOLDBECK
Group Vice President

WALTER A. RAJKI
Group Vice President

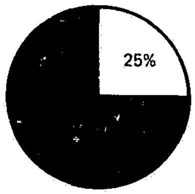
KENNETH D. HUGHES
Treasurer and Controller

ROBERT C. WEBER
Secretary and General Counsel

Divisions by Market Classifications

The Scott & Fetzer Company is a diversified company engaged in the manufacture and sale of a wide variety of products in the five marketing classifications shown below. The company has 31 operating divisions or subsidiaries, most of which were independent businesses acquired subsequent to 1963. The divisions and subsidiaries are generally operated as separate units within Scott & Fetzer. The company was founded in 1914 and was incorporated under the laws of the State of Ohio on November 30, 1917.

FLOOR CARE PRODUCTS



SALES

Vacuum cleaners and other floor maintenance equipment and supplies for residential, industrial and institutional use.

American-Lincoln Division
1100 Haskins Road
Bowling Green, Ohio 43402

Cleveland Wood Products Division
3881 W. 150th Street
Cleveland, Ohio 44111

Douglas Division*
Airport Road
Walnut Ridge, Arkansas 72476

Kirby Company Division
1920 W. 114th Street
Cleveland, Ohio 44102

Kirby West
N. Main Road
Andrews, Texas 79714

Kirby of Canada
1009 Burns Street East
Whitby, Ontario, Canada

Northland Electric Motors Division*
968 Bradley Street
Watertown, New York 13601

Scot Laboratories Division
16841 Park Circle Drive
Chagrin Falls, Ohio 44022

*Under more than one Market Classification

COMMERCIAL/INDUSTRIAL PRODUCTS

SALES

Water system fixtures for mobile homes and other plumbing applications; compressed gas connectors and fittings; utility truck bodies; truck bumpers; hydraulic valves; steering column components for trucks and off-the-road equipment; telephone exchange metal mounting frames; air compressors, paint spray equipment, chain saws and foundry products; household cutlery; plastic food containers; color photo identification systems; manometric measuring instruments; leather belts and accessory products; cold forged scissors for the home, school and office.

Campbell-Hausfeld Division*
801 Production Drive
Harrison, Ohio 45030

Cardinal Plastics Division
815 E. Tallmadge Avenue
Akron, Ohio 44310

Dek/Electro Division
Dek/Electro — East
1530 Progress Road
Fort Wayne, Indiana 46808

Dek/Electro — West
173 Freedom Avenue
Anaheim, California 92801

Douglas Division*
141 Railroad Street
Bronson, Michigan 49028

Flex-N-Gate Division
1306 E. University Avenue
Urbana, Illinois 61801

Humphreys Leather Goods Division
1301 W. 35th Street
Chicago, Illinois 60609

Kingston Division*
1412 N. Webster Street
Kokomo, Indiana 46901

Meriam Instrument Division
10920 Madison Avenue
Cleveland, Ohio 44102

Metalsmiths Division
3201 W. Lincoln Way
Wooster, Ohio 44691

P. O. Box 318
Highway 177 North
Council Grove, Kansas 66846

Powerwinch/Ja-Son Division*
217 Long Hill Crossroad
Shelton, Connecticut 06484

Quikut Division
1100 Napoleon Street
Fremont, Ohio 43420

Stahl Metal Products Division
4750 W. 160th Street
Cleveland, Ohio 44135

P. O. Box 8
Cardington, Ohio 43315

P. O. Box 70
Eaker Field
Durant, Oklahoma 74701

Streamway Products Division
835 Sharon Drive
Westlake, Ohio 44145

Western Enterprises Division
33672 Pin Oak Parkway
Avon Lake, Ohio 44012

LEISURE TIME PRODUCTS

SALES

Air compressors and paint spray equipment for the home and farm; hitching and towing equipment, accessories and awnings for recreational vehicles; mechanical winches, electric power winches and hoists for boats and trailers.

Campbell-Hausfeld Division*
801 Production Drive
Harrison, Ohio 45030

Carefree of Colorado Division
2760 Industrial Lane
Broomfield, Colorado 80020

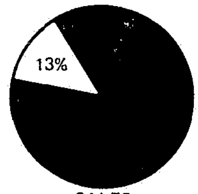
Powerwinch/Ja-Son Division*
217 Long Hill Crossroad
Shelton, Connecticut 06484

Valley Tow-Rite Division
1313 S. Stockton Street
Lodi, California 95240

Valley Tow-Rite — East
P. O. Box 444
Shelbyville, Kentucky 40065

Valley Tow-Rite of Canada
1009 Burns Street East
Whitby, Ontario, Canada

ELECTRICAL PRODUCTS



SALES

Fractional horsepower motors; fittings, transformers, ballasts, furnace ignition systems; timers for automatic laundry equipment; high voltage cable fittings and couplers; explosion-proof housings; conduit fittings; television antennas.

Adalet Division
4801 W. 150th Street
Cleveland, Ohio 44135

Douglas Division*
141 Railroad Street
Bronson, Michigan 49028

France Manufacturing Division
875 Bassett Road
Westlake, Ohio 44145

Halex Division
23901 Aurora Road
Bedford Heights, Ohio 44146

Halex of Canada
1009 Burns Street East
Whitby, Ontario, Canada

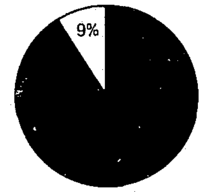
Kingston Division*
Miller Road
Smithville, Tennessee 37166

Northland Electric Motors Division*
968 Bradley Street
Watertown, New York 13601

PLM Products Division
4799 W. 150th Street
Cleveland, Ohio 44135

S & A Electronics Division
202 W. Florence Street
Toledo, Ohio 43605

LIGHTING PRODUCTS



SALES

Residential and commercial ceiling and wall fixtures; table, floor and swag lamps; crystal chandeliers.

Atlas Lighting Division
20200 S. Normandie Avenue
Torrance, California 90503

Prestige Division
SFZ International Limited
9100 Ray Lawson Boulevard
Ville d'Anjou
Montreal 438, Quebec, Canada

Rembrandt Lamp Division
4500 W. Division Street
Chicago, Illinois 60651

Virden Lighting Division
6103 Longfellow Avenue
Cleveland, Ohio 44103

Virden Lighting (Canada) Division
SFZ International Limited
19 Curity Avenue
Toronto 16, Ontario, Canada

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

1. If the average cost method of inventory valuation had been used for those inventories presently valued using the last-in, first-out method, inventories would have been $8,217,000 and $8,117,000 higher than reported at November 30, 1975 and 1974, respectively.

   Opening and closing inventories used in the computation of cost of goods sold were as follows:

	Dollars in Thousands
November 30, 1973	$60,348
November 30, 1974	70,527
November 30, 1975	55,579

2. The estimated useful lives for the major portion of property, plant and equipment 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.

3. For a number of years the Company has paid discretionary bonuses to officers and selected employees. The amounts charged against income aggregated $735,000 and $579,000 for the years ended November 30, 1975 and 1974, respectively.

4. The provisions for deferred income tax 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, 1975.

SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS, Continued

5. Interest and debt expense on long-term debt included in interest expense was $2,652,000 and $1,070,000 for the years ended November 30, 1975 and 1974, respectively.

6. Accrued liabilities at November 30, 1975 and 1974 were as follows:

	Dollars in Thousands	
	1975	1974
Salaries, wages and commissions	$3,334	$2,953
Interest	184	267
Pension and profit-sharing plans	2,925	2,103
Other	2,729	1,279
	$9,172	$6,602

7. Earnings per share data is computed on the basis of average shares outstanding each year including common equivalent shares, after retroactive adjustment for shares issued in connection with mergers and acquisitions accounted for as poolings of interests. Common equivalent shares (resulting from stock options) were 4,188 for 1975, 28,405 for 1973, 32,954 for 1972 and 32,700 for 1971.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

for the years ended November 30, 1975 and 1974

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, 1975:				
Land	$ 1,526,420			$ 1,526,420
Land improvements	546,032	$ 1,115	$ 4,758	542,389
Buildings	13,440,798	304,695	170,928	13,574,565
Leasehold improvements	2,139,306	150,622	29,711	2,260,217
Machinery and factory equipment	38,782,470	2,823,818	998,437	40,607,851
Tools, patterns, dies, jigs, etc.	7,020,867	1,378,707	568,409	7,831,165
Furniture and fixtures	1,869,449	185,704	65,634	1,989,519
Automobiles and trucks	207,078	12,183	10,555	208,706
Construction in progess	1,552,863	1,206,673		2,759,536
	$67,085,283	$ 6,063,517	$1,848,432	$71,300,368
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 progess	4,909,914	(3,357,051)		1,552,863
	$56,190,632	$12,472,943	$1,578,292	$67,085,283

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

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

for the years ended November 30, 1975 and 1974

Column A	Column B	Column C	Column D	Column F
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Retirements	Balance at End of Period
Year ended November 30, 1975:				
Land improvements	$ 218,730	$ 47,245	$ 4,758	$ 261,217
Buildings	4,736,376	427,290	155,271	5,008,395
Leasehold improvements	724,690	207,550	28,716	903,524
Machinery and factory equipment	13,744,084	2,752,640	905,537	15,591,187
Tools, patterns, dies, jigs, etc.	3,421,880	1,219,836	573,400	4,068,316
Furniture and fixtures	1,059,587	151,540	61,887	1,149,240
Automobiles and trucks	151,164	25,111	8,743	167,532
	$24,056,511	$4,831,212	$1,738,312	$27,149,411
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

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE XII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

for the years ended November 30, 1975 and 1974

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, 1975:					
Allowance for doubtful accounts	$995,626	$588,881		$774,280(B)	$810,227
Year ended November 30, 1974:					
Allowance for doubtful accounts	$758,329	$783,780	$10,200(A)	$556,683(B)	$995,626

(A) Addition due to purchase of Howard Engineering Division.

(B) Write-off of uncollectible accounts, less recoveries.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION

for the years ended November 30, 1975 and 1974

Column A Item	Column B Charged to Costs and Expenses
Year ended November 30, 1975:	
Maintenance and repairs	$2,981,821
Depreciation and amortization of property, plant and equipment	$4,831,212
Taxes, other than income taxes:	
Payroll	$3,931,337
Real, personal property and other	2,573,180
Total	$6,504,517
Rents	$3,710,805
Year ended November 30, 1974:	
Maintenance and repairs	$3,128,443
Depreciation and amortization of property, plant and equipment	$4,171,055
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

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 21, 1976 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

Cleveland, Ohio
February 25, 1976

Exhibit 1

The Prudential Insurance Company of America
Corporate Home Office
Prudential Plaza, Newark, New Jersey 07101

March 6, 1975

SECURITIES AND EXCHANGE COMMISSION
FEE RECEIVED
FEB 27 1976
OFFICE OF
REGISTRATIONS & REPORTS

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, 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 "$35,000,000" appearing in clause (ii) and inserting in lieu thereof the dollar amount "$65,000,000".

Very truly yours,

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By Raymond A. Charles
Vice President

2

Directors/Corporate Management

DIRECTORS

JOSEPH T. BAILEY
Chairman, President and Chief Executive Officer, The Warner & Swasey Co., *Manufacturer of machine tools, construction equipment, and textile machinery*

J. F. BRADLEY
Executive Vice President—Finance

RAYMOND E. CHANNOCK
Consultant and formerly President, Acme-Cleveland Corporation, *Manufacturer of cutting and threading tools, machine tools, and production systems*

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General Partner, Prescott Associates, *Private investments*

SECURITIES AND EXCHANGE COMMISSION
FEE RECEIVED
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Audit Committee
THOMAS W. SMITH, Chairman
JOSEPH T. BAILEY
RAYMOND E. CHANNOCK

Executive Committee
NILES H. HAMMINK, Chairman
J. F. BRADLEY
QUIGG LOHR
RALPH SCHEY

Investment Committee
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CORPORATE MANAGEMENT

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Chairman and Chief Executive Officer

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QUIGG LOHR
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J. F. BRADLEY
Executive Vice President—Finance

JAMES M. HEYNE
Executive Vice President—Operations

JOHN BEBBINGTON
Group Vice President

CARL W. GOLDBECK
Group Vice President

WALTER A. RAJKI
Group Vice President

KENNETH D. HUGHES
Treasurer and Controller

ROBERT C. WEBER
Secretary and General Counsel

NEIL W. McDANIEL
Director of Marketing—Recreational and Automotive Products

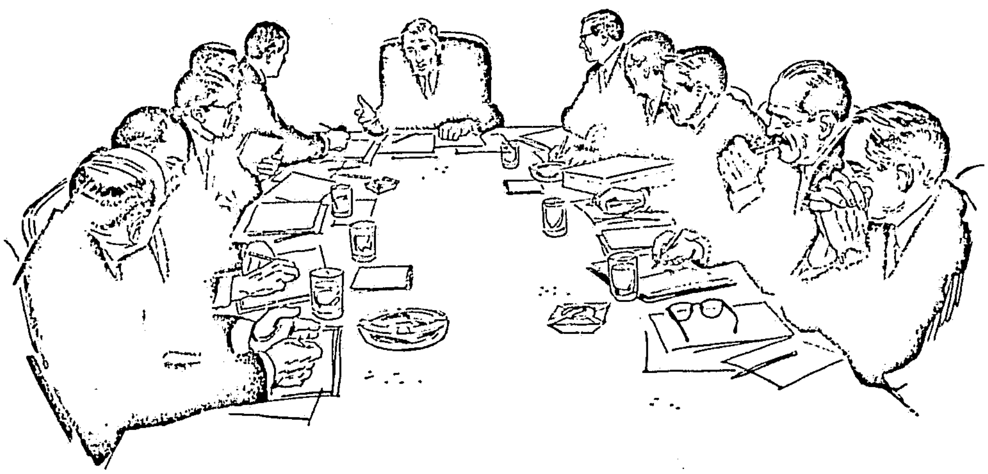
CHRIST M. ROUSSEFF
Director—Dek/Electro Group

Exhibit 3

CRUM & FORSTER INSURANCE COMPANIES

ADMINISTRATIVE OFFICES: MORRISTOWN, N.J.

SECURITIES AND EXCHANGE COMMISSION
FEE RECEIVED
FEB 27 1976
OFFICE OF
REGISTRATIONS & REPORTS



Directors & Officers Liability Insurance

DIRECTORS AND OFFICERS LIABILITY

AND

COMPANY REIMBURSEMENT LIABILITY

The Insurer issuing this policy is indicated below: **Policy No.** DOL 5043

CRUM&FORSTER INSURANCE COMPANIES
THE POLICY MAKERS

- [X] United States Fire Insurance Company
- [ ] The North River Insurance Company
- [ ] Westchester Fire Insurance Company
- [ ] International Insurance Company

(A stock insurance company, hereinafter called the "Insurer")

DECLARATIONS

ITEM I COMPANY: THE SCOTT & FETZER COMPANY
(Hereinafter called the "Company")
Principal Address: 14600 DETROIT AVENUE, LAKEWOOD, OHIO 44107

ITEM II POLICY PERIOD: From DECEMBER 23, 1975 to DECEMBER 23, 1978
12:01 A.M. Standard Time at the address stated herein.

ITEM III LIMIT OF LIABILITY: $ 10,000,000. each policy year and this shall be the combined limit of liability for both policy forms CFD-1 and CFD-2 which are attached hereto and form a part hereof.

ITEM IV RETENTION: (a) $ 5,000. each Director or Officer each loss, but in no event exceeding
(b) $ 25,000. in the aggregate each loss as respects Directors and Officers Liability.
(c) $ 25,000. in the aggregate each loss as respects Company Reimbursement Liability.

ITEM V PREMIUMS:

Directors and Officers Liability . . . . . $	3,963.80	3 Year Installments: $		Inception
Company Reimbursement Liability . . $	35,674.20	$		1st Anniversary
3 Year Premium Prepaid . . . $	39,638.00	$		2nd Anniversary

ITEM VI This Policy does not provide coverage for the following officer positions: (absence of entry means no exception)

ITEM VII Notice of claim (Clause 9) to the Company shall be notice to QUIGG LOHR, SENIOR EXECUTIVE VICE PRESIDENT

ITEM VIII All notices required to be given to the Insurer under this Policy shall be addressed to the name of the Company, attention: L. W. Biegler Inc., 100th FLOOR SEARS TOWER, 233 SOUTH WACKER DRIVE, CHICAGO, ILL.

This Declaration Page together with the completed and signed Proposal Form, the Directors and Officers Liability Form and the Company Reimbursement Liability Form shall constitute the contract between the Insured(s), the Company and Insurer. The following forms or endorsements are made a part of this Policy:

LWB #22(9-72) ENDT.#1, AND #2

Date 12-23-75

Harold W. Laebs
AUTHORIZED REPRESENTATIVE

CRUM&FORSTER INSURANCE COMPANIES

THE POLICY MAKERS

DIRECTORS AND OFFICERS LIABILITY
AND
COMPANY REIMBURSEMENT LIABILITY

IT WILL BE NOTED THAT THIS POLICY SUBJECT TO ITS TERMS, CONDITIONS AND LIMITATIONS IS DESIGNED FOR APPLICATION TO CLAIMS MADE DURING THE CURRENCY OF THE SAID POLICY AGAINST THE INSUREDS/DIRECTORS OR OFFICERS AS HEREINAFTER DEFINED.

The Insurer designated in the Declarations agrees with the Directors and Officers of the Company named in Item I of the Declarations, in consideration of the payment of the premium and the statements made to the Insurer in the written proposal made a part hereof and subject to all of the terms of this Policy as follows:

PART I

DIRECTORS AND OFFICERS LIABILITY

In consideration of the payment of the premium and subject to all of the terms of this Policy, the Insurer agrees with the Directors and Officers of the Company (named in Item I of the Declarations) as follows:

1. INSURING CLAUSE

   If during the policy period any claim or claims are made against the Insureds (as hereinafter defined) or any of them for a Wrongful Act (as hereinafter defined) while acting in their individual or collective capacities as Directors or Officers, the Insurer will pay on behalf of the Insureds or any of them, their Executors, Administrators or Assigns, 95% of all Loss (as hereinafter defined), which the Insureds or any of them shall become legally obligated to pay, in excess of the retentions stated in Item IV (a) and (b) of the Declarations, not exceeding the limit of liability stated in Item III of the Declarations.

2. This policy, subject otherwise to the terms hereof, shall cover loss arising from any claims made against the estates, heirs, legal representatives or assigns of deceased Insureds who were Directors or Officers of the Company at the time the Wrongful Act upon which such claims are based, and the legal representatives or assigns of Directors or Officers in the event of their incompetency, insolvency or bankruptcy.

3. This policy shall automatically cover Directors and Officers of any subsidiaries acquired or created after the inception of this policy subject to written notice being given to the Insurer as soon as practicable and payment of any additional premium required.

4. DEFINITIONS

   Definitions of terms used herein:

   (a) The term "Insureds" shall mean all persons who were, now are or shall be duly elected Directors or Officers of the Company named in Item I of the Declarations, except as noted in Item VI of the Declarations. Coverage will automatically apply to all persons who become directors or officers after the inception date of this policy.

   (b) The term "Wrongful Act" shall mean any actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty by the Insureds while acting in their individual or collective capacities, or any matter not excluded by the terms and conditions of this policy claimed against them solely by reason of their being Directors or Officers of the Company.

(c) The term "Loss" shall mean any amount which the Insureds are legally obligated to pay for a claim or claims made against them for Wrongful Acts, and shall include but not be limited to damages, judgments, settlements and costs, cost of investigation (excluding salaries of officers or employees of the Company) and defense of legal actions, claims or proceedings and appeals therefrom, cost of attachment or similar bonds; providing always, however, such subject of loss shall not include fines or penalties imposed by law, or matters which are uninsurable under the law pursuant to which this policy shall be construed.

(d) The term "policy year" shall mean the period of one year following the effective date and hour of this policy or any anniversary thereof, or if the time between the effective date or any anniversary and the termination of the policy is less than one year, such lesser period.

5. **EXCLUSIONS**

The Insurer shall not be liable to make any payment for loss in connection with any claim made against the Insureds:

(a) for libel or slander;

(b) based upon or attributable to their gaining in fact any personal profit or advantage to which they were not legally entitled;

(c) for the return by the Insureds of any remuneration paid to the Insureds without the previous approval of the stockholders of the Company which payment without such previous approval shall be held by the courts to have been illegal;

(d) for an accounting of profits made from the purchase or sale by the Insureds of securities of the Company within the meaning of Section 16 (b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any state statutory law or common law;

(e) brought about or contributed to by the dishonesty of the Insureds, however, notwithstanding the foregoing, the Insureds shall be protected under the terms of this policy as to any claims upon which suit is brought against them by reason of any alleged dishonesty on the part of the Insureds, unless a judgment or other final adjudication thereof adverse to the Insureds shall establish that acts of active and deliberate dishonesty committed by the Insureds with actual dishonest purpose and intent were material to the cause of action so adjudicated;

(f) which, at the time of happening of such loss, is insured by any other existing valid policy or policies under which payment of the loss is actually made, except in respect of any excess beyond the amount or amounts of payments under such other policy or policies;

(g) for which the Insureds are entitled to indemnity and/or payment by reason of having given notice of any circumstance which might give rise to a claim under any policy or policies the term of which has expired prior to the issuance of this policy;

(h) for which the Insureds shall be indemnified by the Company for damages, judgments, settlements, costs, charges or expenses incurred in connection with the defense of any action, suit or proceeding to which the Insureds may be a party or with which they may be threatened or in connection with any appeal therefrom, pursuant to the law, common or statutory, or the Charter or By-Laws of the Company duly effective under such law, which determines and defines such rights of indemnity;

(i) for bodily injury, sickness, disease or death of any person or to damages to or destruction of any tangible property including loss of use thereof;

(j) based on or attributable to personal injury or bodily injury, sickness, disease or death of any person, or damage to, destruction of or loss of use of any property, directly or indirectly caused by seepage, pollution or contamination, or the cost of removing, nullifying or cleaning up seeping, polluting or contaminating substances.

It is agreed that any fact pertaining to any Insureds shall not be imputed to any other Insureds for the purpose of determining the application of the above exclusions.

6. It is warranted that the particulars and statements contained in the written proposal, copy of which is attached hereto, and the Declarations are the basis of this policy and are to be considered as incorporated in and constituting part of this policy.

7. LIMITS AND RETENTION

(a) The Insurer shall be liable to pay 95% of loss excess of the amount of the retentions stated in Item IV (a) and (b) of the Declarations, up to the limit of liability as stated in Item III of the Declarations, it being warranted that the remaining 5% of each and every loss shall be carried by the Insureds at their own risk and uninsured.

(b) Subject to the foregoing, the Insurer's liability for any claim or claims and/or costs, charges and expenses shall be the amount as stated in Item III of the Declarations which, regardless of the time of payment by the Insurer, shall be the maximum liability of the Insurer in (i) each policy year during the policy period or (ii) in the last policy year in which coverage is provided hereunder plus the period of ninety (90) days set out in Clause 13 if the right under such clause is exercised.

(c) This policy shall only pay the excess of the amount stated in Item IV (a) of the Declarations for each of the Insureds against whom claim is made in respect of each and every loss hereunder but in no event exceeding the excess of the amount stated in Item IV (b) of the Declarations in the aggregate for all Insureds against whom claim is made in respect of each and every loss hereunder.The foregoing amounts include costs, charges and expenses as described in Clause 8 and such amounts are to be borne by the Insureds as a retention and are not to be insured. Losses arising out of the same act or interrelated acts of one or more of the Insureds shall be considered a single loss and only one retention shall be deducted from each loss.

(d) It is understood and agreed that in the event a single loss as defined herein is covered in part under the Directors and Officers Liability Form, and in part under the Company Reimbursement Form, the retention stated in Item IV of the Declarations as applicable to each policy form shall apply to that part of the loss covered by each policy form and the sum of the retentions so applied shall constitute the retention for each single loss provided, however, the total retention as finally determined shall in no event exceed the amount of the Company Reimbursement stated in Item IV (c) of the Declarations.

It is further understood and agreed that, for the purposes of the application of the retention, loss applicable to the Company Reimbursement Form includes that for which indemnification by the Company is legally permissible, whether or not actual indemnification is granted.

(e) The foregoing provisions shall apply to this policy form and the Company Reimbursement Policy Form as though they constitute a single policy and the Insurer's maximum liability under both policy forms together shall not exceed the limit of liability as stated in Item III of the Declarations.

8. COSTS, CHARGES AND EXPENSES AND DEFENSE

No costs, settlements, charges and expenses shall be incurred without the Insurer's consent which consent shall not be unreasonably withheld: however, in the event of such consent being given, they will pay, subject to the provision of Clause 7, 95% of all such costs, settlements, charges and expenses.

9. LOSS PROVISIONS

If during the policy period or extended discovery period:

(a) The Company or the Insureds shall receive written or oral notice from any party that it is the intention of such party to hold the Insureds responsible for the results of any specified Wrongful Act done or alleged to have been done by the Insureds while acting in the capacity aforementioned; or

(b) The Company or the Insureds shall become aware of any occurrence which may subsequently give rise to a claim being made against the Insureds in respect of any such alleged Wrongful Act;

and shall in either case during such period give written notice as soon as practicable to the Insurer of the receipt of such written or oral notice under Clause 9 (a) or of such occurrence under Clause 9 (b), then any claim which may subsequently be made against the Insureds arising out of such alleged Wrongful Act shall, for the purposes of this policy, be treated as a claim made during the policy year in which such notice was given or if given during the extended discovery period as a claim made during such extended discovery period.

The Company or the Insureds shall, as a condition precedent to the Insureds' right to be indemnified under this policy, give to the Insurer notice in writing as soon as practicable of any claim made and shall give the Insurer such information and cooperation as they may reasonably require and as shall be in the Insureds' power.

For the purpose of the above clauses notice to that individual named in Item VII of the Declarations shall constitute notice to the Company or the Insureds.

10. In the event of any claim occurring hereunder, the person or firm(s) as named in Item VIII of the Declarations shall be given notice on behalf of the Insurer.

11. Notice shall be deemed to be received, if sent by prepaid mail properly addressed.

12. CANCELLATION

This policy may be cancelled by the Company or the Insureds at any time by written notice or by surrender of this policy. This policy may also be cancelled by or on behalf of the Insurer by delivering to the Company or by mailing to the Company, by registered, certified or other first class mail, at the Company's address shown in this policy, written notice stating when, not less than thirty (30) days thereafter, the cancellation shall be effective. The mailing of such notice as aforesaid shall be sufficient proof of notice and this policy shall terminate at the date and hour specified in such notice.

If this policy shall be cancelled by the Company or the Insureds, the Insurer shall retain the customary short rate proportion of the premium hereon.

If this policy shall be cancelled by or on behalf of the Insurer, the Insurer shall retain the pro rata proportion of the premium hereon.

Payment or tender of any unearned premium by the Insurer shall not be a condition precedent to the effectiveness of cancellation but such payment shall be made as soon as practicable.

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

13. DISCOVERY CLAUSE

If the Insurer shall cancel or refuse to renew this policy, the Insureds shall have the right, upon payment of an additional premium calculated at 10% of the three-year premium hereunder, to an extension of the cover granted by this policy in respect of any claim or claims made against the Insureds during the period of ninety (90) days after the effective date of such cancellation or, in the event of such refusal to renew, the date upon which the policy period ends, but only in respect of any Wrongful Act committed before such date. Such right hereunder must, however, be exercised by the Insureds by notice in writing to the Insurer not later than ten (10) days after the date referred to in the preceding sentence. If such notice is not given, the Insureds shall not at a later date be able to exercise such right.

14. In the event of any payment under this policy, the Insurer shall be subrogated to the extent of such payment to all the Insureds' rights of recovery therefor, and the Insureds shall execute all papers required and shall do everything that may be necessary to secure such rights including the execution of such documents necessary to enable the Insurer effectively to bring suit in the name of the Insureds.

15. By acceptance of this policy, the Company named in Item I of the Declarations agrees to act on behalf of all Insureds with respect to the giving and receiving of notice of claim or cancellation, the payment of premiums and the receiving of any return premiums that may become due under this policy.

PART II

COMPANY REIMBURSEMENT LIABILITY

In consideration of the payment of the premium and subject to all of the terms of this policy, the Insurer agrees with the Company (named in Item I of the Declarations) as follows:

1. INSURING CLAUSE

   If during the policy period any claim or claims are made against the Directors or Officers (as hereinafter defined) or any of them for a Wrongful Act (as hereinafter defined) while acting in their individual or collective capacities as Directors or Officers, the Insurer will pay on behalf of the C·mpany 95% of all Loss (as hereinafter defined), which the Company may be required or permitted to pay as indemnities due the Directors or Officers for a claim or claims made against them for Wrongful Acts, in excess of the retention stated in Item IV (c) of the Declarations, not exceeding the limit of liability stated in Item III of the Declarations.

2. This policy, subject otherwise to the terms hereof, shall cover loss arising from any claims made against the estates, heirs, legal representatives or assigns of deceased Directors or Officers who were Directors or Officers at the time the Wrongful Act upon which such claims are based, and the legal representatives or assigns of Directors or Officers in the event of their incompetency, insolvency or bankruptcy.

3. This policy shall automatically cover Directors and Officers of any subsidiaries acquired or created after the inception of this policy subject to written notice being given to the Insurer as soon as practicable and payment of any additional premium required.

4. DEFINITIONS

   Definitions of terms used herein:

   (a) The term "Directors or Officers" shall mean all persons who were, now are or shall be duly elected Directors or Officers of the Company named in Item I of the policy Declarations, except as noted in Item VI of the Declarations. Coverage will automatically apply to all persons who become directors or officers after the inception date of this policy.

   (b) The term "Wrongful Act" shall mean any actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty by the Directors or Officers while acting in their individual or collective capacities, or any matter, not excluded by the terms and conditions of this policy, claimed against them solely by reason of their being Directors or Officers of the Company.

   (c) The term "Loss" shall mean any amount which the Company may be required or permitted to pay as indemnities due the Directors or Officers for a claim or claims made against them for Wrongful Acts, and shall include but not be limited to damages, judgments, settlements and costs, cost of investigation (excluding salaries of officers or employees of the Company) and defense of legal actions, claims or proceedings and appeals therefrom, cost of attachment or similar bonds; for which payment by the Company may be required or permitted according to applicable law, or under provisions of the Company's Charter or By-Laws; providing always, however, such subject of loss shall not include fines or penalties imposed by law, or matters which are uninsurable under the law pursuant to which this policy shall be construed.

   (d) The term "policy year" shall mean the period of one year following the effective date and hour of this policy or any anniversary thereof, or if the time between the effective date or any anniversary and the termination of the policy is less than one year, such lesser period.

5. EXCLUSIONS

   The Insurer shall not be liable to make any payment for loss in connection with any claim made against the Directors or Officers:

   (a) which, at the time of happening of such loss, is insured by any other existing valid policy or policies under which payment of the loss is actually made, except in respect to any excess beyond the amount or amounts of payments under such other policy or policies;

(b) for which the Directors or Officers are entitled to indemnity and/or payment by reason of having given notice of any circumstance which might give rise to a claim under any policy or policies the term of which has expired prior to the issuance of this policy;

(c) for bodily injury, sickness, diseases or death of any person, or to damage to or destruction of any tangible property including loss of use thereof;

(d) based on or attributable to personal injury or bodily injury, sickness, disease or death of any person, or damage to, destruction of or loss of use of any property, directly or indirectly caused by seepage, pollution or contamination, or the cost of removing, nullifying or cleaning up seeping, polluting or contaminating substances.

6. It is warranted that the particulars and statements contained in the written proposal, copy of which is attached hereto, and the Declarations are the basis of this policy and are to be considered as incorporated in and constituting part of this policy.

7. LIMITS AND RETENTION

(a) The Insurer shall be liable to pay 95% of loss excess of the amount of the retention as stated in Item IV (c) of the Declarations, up to the limit of liability as stated in Item III of the Declarations, it being warranted that the remaining 5% of each and every loss shall be carried by the Company at its own risk and uninsured.

(b) Subject to the foregoing, the Insurer's liability for any claim or claims and/or costs, charges and expenses shall be the amount as stated in Item III of the Declarations which, regardless of the time of payment by the Insurer, shall be the maximum liability of the Insurer in (i) each policy year during the policy period or (ii) in the last policy year in which coverage is provided hereunder plus the period of ninety (90) days set out in Clause 13 if the right under such clause is exercised.

(c) This policy shall only pay the excess of the amount stated in Item IV (c) of the Declarations in the aggregate in respect of each and every loss hereunder including costs, charges and expenses as described in Clause 8 and such amount is to be borne by the Company as a retention and is not to be insured. Losses arising out of the same act or interrelated acts of one or more of the Directors or Officers shall be considered a single loss and only one retention shall be deducted from each loss.

(d) It is understood and agreed that in the event a single loss as defined herein is covered in part under the Directors and Officers Liability Form, and in part under the Company Reimbursement Form, the retention stated in Item IV of the Declarations as applicable to each policy form shall apply to that part of the loss covered by each policy form and the sum of the retentions so applied shall constitute the retention for each single loss provided, however, the total retention as finally determined shall in no event exceed the amount of the Company Reimbursement retention stated in Item IV (c) of the Declarations.

It is further understood and agreed that, for the purposes of the application of the retention, loss applicable to the Company Reimbursement Form includes that for which indemnification by the Company is legally permissible, whether or not actual indemnification is granted.

(e) The foregoing provisions shall apply to this policy form and the Directors and Officers Liability Policy Form as though they constitute a single policy and the Insurer's maximum liability under both policy forms together shall not exceed the limit of liability as stated in Item III of the Declarations.

8. COSTS, CHARGES AND EXPENSE AND DEFENSE

No costs, settlements, charges and expenses shall be incurred without the Insurer's consent which consent shall not be unreasonably withheld; however, in the event of such consent being given, they will pay, subject to the provisions of Clause 7, 95% of all such costs, settlements, charges and expenses.

9. LOSS PROVISIONS

If during the policy period or extended discovery period:

(a) The Company or the Directors or Officers shall receive written or oral notice from any party that it is the intention of such party to hold the Directors or Officers or any of them responsible for the results of any specified Wrongful Act done or alleged to have been done by the Directors or Officers or any of them while acting in the capacity aforementioned; or

(b) The Company or the Directors or Officers shall become aware of any occurrence which may subsequently give rise to a claim being made against the Directors or Officers or any of them in respect of any such alleged Wrongful Act;

and shall in either case during such period give written notice as soon as practicable to the Insurer of the receipt of such written or oral notice under Clause 9 (a) or of such occurrence under Clause 9 (b), then any claim which may subsequently be made against the Directors or Officers or any of them arising out of such alleged Wrongful Act, shall for the purposes of this policy, be treated as a claim made during the policy year in which such notice was given or if given during the extended discovery period, as a claim made during such extended discovery period.

The Company or the Directors or Officers shall, as a condition precedent to the Company's right to be indemnified under this policy, give to the Insurer notice in writing as soon as practicable of any claim made and shall give the Insurer such information and cooperation as they may reasonably require and as shall be in their power.

For the purpose of the above clauses notice to that individual named in Item VII of the Declarations shall constitute notice to the Company or the Directors or Officers.

10. In the event of any claim occurring hereunder the person or firm(s) named in Item VIII of the Declarations shall be given notice on behalf of the Insurer.

11. Notice shall be deemed to be received, if sent by prepaid mail properly addressed.

12. CANCELLATION

This policy may be cancelled by the Company at any time by written notice or by surrender of this policy. This policy may also be cancelled by or on behalf of the Insurer by delivering to the Company or by mailing to the Company by registered, certified or other first class mail, at the Company's address shown in this policy, written notice stating when, not less than thirty (30) days thereafter, the cancellation shall be effective. The mailing of such notice as aforesaid shall be sufficient proof of notice and this policy shall terminate at the date and hour specified in such notice.

If this policy shall be cancelled by the Company the Insurer shall retain the customary short rate proportion of the premium hereon.

If this policy shall be cancelled by or on behalf of the Insurer, the Insurer shall retain the pro rata proportion of the premium hereon.

Payment or tender of any unearned premium by the Insurer shall not be a condition precedent to the effectiveness of cancellation but such payment shall be made as soon as practicable.

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

13. DISCOVERY CLAUSE

If the Insurer shall cancel or refuse to renew this policy, the Company shall have the right, upon payment of an additional premium calculated at 10% of the three-year premium hereunder, to an extension of the cover granted by this policy in respect of any claim or claims made against the Directors or Officers during the period of ninety (90) days after the effective date of such cancellation or, in the event of such refusal to renew, the date upon which the policy period ends, but only in respect of any Wrongful Act committed before such date. Such right hereunder must, however, be exercised by the Company by notice in writing not later than ten (10) days after the date referred to in the preceding sentence. If such notice is not given, the Company shall not at a later date be able to exercise such right.

Directors/Corporate Management

DIRECTORS

JOSEPH T. BAILEY
Chairman, President and Chief Executive Officer, The Warner & Swasey Co., *Manufacturer of machine tools, construction equipment, and textile machinery*

J. F. BRADLEY
Executive Vice President— Finance

RAYMOND E. CHANNOCK
Consultant and formerly President, Acme-Cleveland Corporation, *Manufacturer of cutting and threading tools, machine tools, and production systems*

NILES H. HAMMINK
Chairman and Chief Executive Officer

QUIGG LOHR
Senior Executive Vice President

RALPH SCHEY
President and Chief Operating Officer

THOMAS W. SMITH
General Partner, Prescott Associates, *Private investments*

Audit Committee
THOMAS W. SMITH, Chairman
JOSEPH T. BAILEY
RAYMOND E. CHANNOCK

Executive Committee
NILES H. HAMMINK, Chairman
J. F. BRADLEY
QUIGG LOHR
RALPH SCHEY

Investment Committee
QUIGG LOHR, Chairman
THOMAS W. SMITH
RAYMOND E. CHANNOCK

CORPORATE MANAGEMENT

NILES H. HAMMINK
Chairman and Chief Executive Officer

RALPH SCHEY
President and Chief Operating Officer

QUIGG LOHR
Senior Executive Vice President

J. F. BRADLEY
Executive Vice President—Finance

JAMES M. HEYNE
Executive Vice President—Operations

JOHN BEBBINGTON
Group Vice President

CARL W. GOLDBECK
Group Vice President

WALTER A. RAJKI
Group Vice President

KENNETH D. HUGHES
Treasurer and Controller

ROBERT C. WEBER
Secretary and General Counsel

NEIL W. McDANIEL
Director of Marketing— Recreational and Automotive Products

CHRIST M. ROUSSEFF
Director—Dek/Electro Group

10. *A list of (a) the names and affiliation of all Directors of the Company, and (b) the names and official titles of all Officers of the Company is furnished herewith unless such information is contained in the latest Annual Report of the Company See attached 2/18/75 Proxy Statement, p.24 of 11/30/74 Annual Report, Pages 12,13 and 14 of S.E.C. 10K Report. Note: James M. Heyne has resigned as a director. James A. Hughes, Director & Chairman of Finance Comm, Diamond Shamrock Corp. appointed a director

11. The Officer of the Company designated to receive any and all notices from the Insurers or their authorized representative(s) concerning this insurance is (give full official title):

Quigg Lohr, Senior Executive Vice President

12. No similar insurance on behalf of the Company has been declined, cancelled or renewal thereof refused, except as follows (if answer is "none", so state):

None

13. No claim which, if an insurance had ever been or were now in force similar to that now applied for, would have fallen within the scope of such insurance has been made or is now pending against any persons proposed for insurance in the capacity of either Director or Officer of the above or any other Company, except as follows:

Not to our knowledge

14. No person proposed for insurance is cognizant of any act, omission or error which he has reason to suppose might afford valid grounds for any future claim such as would fall within the scope of the insurance here applied for, except as follows:

Not to our knowledge

15. No fact, circumstance or situation indicating the probability of a claim or action against which indemnification is or would be afforded by the insurance applied for now known to any Director or Officer of the Company; and it is agreed by all concerned that if there be knowledge of any such fact, circumstance, or situation, any claim or action subsequently emanating therefrom shall be excluded from coverage under the insurance here being applied for.

16. Amount of indemnity required $ 10,000,000

17. The undersigned declares that to the best of his knowledge and belief the statements set forth herein are true. Although the signing of this Application Form does not bind the undersigned, on behalf of the Company, to effect Insurance, the undersigned, on behalf of the Company, agrees that this form and the said statements shall be the basis of any quotation which may be submitted.

Signed [signature]
(Must be signed by Chairman of the Board or President)

Capacity Chairman of the Board & Chief Executive Officer

Company The Scott & Fetzer Company

Date November 24, 1975

Date ____________________

Submitted by ____________________

Please return to:–
L. W. Biegler Inc.
175 West Jackson Boulevard
Chicago, Illinois 60604

*NOTE: If Directors and Officers of Subsidiaries are to be included in the coverage, a list of such Directors and Officers and their affiliation should be submitted.

PROPOSAL FOR DIRECTORS AND OFFICERS LIABILITY

CRUM & FORSTER INSURANCE COMPANIES

ADMINISTRATIVE OFFICES: MORRISTOWN, N.J.

CRUM & FORSTER INSURANCE COMPANIES C&F

- ☐ United States Fire Insurance Company
- ☐ The North River Insurance Company
- ☐ Westchester Fire Insurance Company
- ☐ International Insurance Company

1. Name of Company The Scott & Fetzer Company

Address 14600 Detroit Avenue, Lakewood, Ohio 44107

Nature of business Diversified Manufacturer

2. Date since which the Company has continuously carried on business Founded 1914, Incorporated 11/30/17

3. Date since which the Company has continuously paid dividends on its

   (a) common stock, if any 1942

   (b) preferred stock, if any N/A

4. Number of common shares outstanding 7,558,185

   Number of common stock shareowners 10,253

5. Two copies of the Company's latest Annual Report are furnished herewith as a part of this Application. If the applicant firm is a bank or other financial institution, two copies of their Statement of Condition for each of the past five years, in addition to interim reports of the current year, are furnished herewith as a part of this Application.

6. Aggregate number of shares of the Company's common stock owned by its Directors (directly or beneficially): 111,729

   Number of such shares owned by Officers who are not Directors of the Company 9,962

7. Date of annual election of Directors of the Company Fourth Tuesday in March

8. Compulsory retirement age, if any, of

   (a) Directors of the Company None

   (b) Officers of the Company Expected at 65 unless specifically approved by Company

9. Total number of wholly owned subsidiaries: Domestic 3 Foreign 2

   Total number of controlled subsidiaries (more than 50% owned): Domestic 3 Foreign 2

ALL QUESTIONS MUST BE FULLY ANSWERED

NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT
(BROAD FORM)

It is agreed that the policy does not apply:

1. Under any Liability Coverage, to injury, sickness, disease, death or destruction
   (a) with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
   (b) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

2. Under any Medical Payments Coverage, or under any Supplementary Payments provision relating to immediate medical or surgical relief, to expenses incurred with respect to bodily injury, sickness, disease or death resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.

3. Under any Liability Coverage, to injury, sickness, disease, death or destruction resulting from the hazardous properties of nuclear material, if
   (a) the nuclear material (1) is at any nuclear facility owned by or operated by or on behalf of, an insured or (2) has been discharged or dispersed therefrom;
   (b) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or
   (c) the injury, sickness, disease, death or destruction arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use or any nuclear facility, but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (c) applies only to injury to or destruction of property at such nuclear facility.

4. As used in this endorsement

   "hazardous properties" includes radioactive, toxic or explosive properties,

   "nuclear material" means source material, special nuclear material or byproduct material,

   "source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

   "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor;

   "waste" means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof.

   "nuclear facility" means

   (a) any nuclear reactor,
   (b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste,
   (c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises, where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235.
   (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste,

   and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations;

   "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material,

   With respect to injury to or destruction of property the word "injury" or "destruction" includes all forms of radioactive contamination of property.

This endorsement forms a part of the policy, issued by the Company designated therein, to which it is attached and takes effect as of the effective date of said policy

Nothing herein contained shall be held to vary, waive, alter, or extend any of the terms, conditions, agreements or declarations of the policy, other than as herein stated.

ENDORSEMENT # 2

CRUM & FORSTER INSURANCE COMPANIES

THE POLICY MAKERS

Additional Premium ____________

Return Premium ____________

Effective on and after DECEMBER 23 19 75 12:01 A.M. Standard Time

this endorsement forms part of policy No. DOL 5043 Expiration Date DECEMBER 23,1978

Issued to THE SCOTT & FETZER COMPANY

By UNITED STATES FIRE INSURANCE Company

IN CONSIDERATION OF THE PREMIUM CHARGED FOR THIS POLICY, IT IS HEREBY UNDERSTOOD AND AGREED THAT THE FOLLOWING EXCLUSION IS ADDED AS CLAUSE 5 (k) IN PART I OF THE POLICY AND ADDED AS CLAUSE 5 (e) IN PART II OF THE POLICY:

BASED UPON THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, PUBLIC LAW 93-406, COMMONLY REFERRED TO AS THE PENSION REFORM ACT OF 1974, AND AMENDMENTS THERETO, OR SIMILAR PROVISIONS OF ANY FEDERAL STATE OR LOCAL STATUTORY LAW OR COMMON LAW.

All other terms and conditions of this policy remain unchanged.

Harold W. Jacobs

Authorized Representative

LWB 83 (2/75)

CRUM & FORSTER INSURANCE COMPANIES
THE POLICY MAKERS

ENDORSEMENT # 1

Additional Premium ______________

Return Premium ______________

Effective on and after DECEMBER 23 19 75, 12:01 A.M. Standard Time

this endorsement forms part of policy No. DOL 5043 Expiration Date DECEMBER 23,1978

Issued to THE SCOTT & FETZER COMPANY

By UNITED STATES FIRE INSURANCE COMPANY Company

IN CONSIDERATION OF THE PREMIUM CHARGED, IT IS UNDERSTOOD AND AGREED THAT IN RESPECT OF SUCH COVERAGE AS IS AFFORDED HEREUNDER FOR LOSS IN THE EXCESS OF $1,000,000. IN EACH POLICY YEAR OR EXTENDED DISCOVERY PERIOD, THE FOLLOWING AMENDMENTS SHALL BE MADE IN THIS POLICY:

1) THE PERCENTAGE "95%" INCLUDED IN CLAUSE 1, CLAUSE 7 (a) AND CLAUSE 8 SHALL BE AMENDED TO READ "100%" ; AND

2) THE WORDS "IT BEING WARRANTED THAT THE REMAINING 5% OF EACH AND EVERY LOSS SHALL BE CARRIED BY THE INSUREDS/COMPANY AT THEIR/ITS OWN RISK AND UNINSURED" CONTAINED IN CLAUSE 7 (a) SHALL BE DELETED.

IT IS UNDERSTOOD AND AGREED THAT THE INSURER SHALL NOT BE LIABLE TO MAKE ANY PAYMENT FOR LOSS IN CONNECTION WITH ANY CLAIM OR CLAIMS MADE AGAINST THE INSUREDS/DIRECTORS OR OFFICERS BASED UPON OR ARISING OUT OF ANY PRIOR AND/OR PENDING LITIGATION INCLUDING ACTS WHICH GAVE RISE THERETO.

IT IS UNDERSTOOD AND AGREED THAT THE COVERAGE AFFORDED BY THIS POLICY SHALL BE EXTENDED TO APPLY IN RESPECT OF CLAIM OR CLAIMS MADE DURING THE POLICY PERIOD AGAINST THE INSUREDS (AS DEFINED IN PART I (OR DIRECTOR OR OFFICERS (AS DEFINTED IN PART II) OR ANY OF THEM FOR A WRONGFUL ACT (AS DEFINED IN THIS POLICY) WHILE ACTING IN THEIR INDIVIDUAL OR COLLECTIVE CAPACITIES OF DIRECTORS OR OFFICERS OF ANY SUBSIDIARY COMPANY OF THE SCOTT & FETZER COMPANY.

<u>SUBSIDIARY DEFINITION</u>: A SUBSIDIARY COMPANY IS A COMPANY OF WHICH THE SCOTT & FETZER COMPANY OWNS MORE THAN 50% OF THE OUTSTANDING VOTING STOCK EITHER DIRECTLY OR THROUGH OR IN COMBINATION WITH ONE OR MORE SUBSIDIARIES.

All other terms and conditions of this policy remain unchanged.

Harold W. Fowles
AUTHORIZED REPRESENTATIVE

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14. In the event of any payment under this policy, the Insurer shall be subrogated to the extent of such payments to all the Company's rights of recovery therefor, and the Company shall execute all papers required and shall do everything that may be necessary to secure such rights including the execution of such documents necessary to enable the Insurer effectively to bring suit in the name of the Company.

15. By acceptance of this policy, the Company named in Item I of the Declarations agrees to act on behalf of all Directors and Officers with respect to the giving and receiving of notice of claim or cancellation, the payment of premiums and the receiving of any return premiums that may become due under this policy.

IN WITNESS WHEREOF, the company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned on the declaration page by a duly authorized representative of the company.

Antoinette C. Bentley
Secretary

President

END