SEC FILE NO 1- 5629 05--03 SIC 363 S 15 57 00 000

SCOTT & FETZER CO 10-K

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CARD 1 MICROFICHE BY DISCLOSURE INCORPORATED FOR 11/30/76

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

ARS		For:	11/30/75
Proxy		Dated:	02/17/76
Prspct		Eff:	10/04/75
Prspct		Eff:	04/06/76
Prspct		Eff:	11/17/76
Prspct		Eff:	12/27/76
Regst	S16	Filed:	10/29/76
Regst	S16	Filed:	12/22/76
10-K		For:	11/30/75
10-Q		For:	02/29/76
10-Q		For:	05/31/76
10-Q		For:	08/31/76

S155700

Recd SEC. Feb 25.1977

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, 1976 Commission File Number 0-231

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

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

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 ______.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this Report.

Class	Outstanding at November 30, 1976
Common Shares Without Par Value ($1.25 stated value)	7,576,924 Shares

PART I

Except as otherwise stated, the information contained in this report is as of November 30, 1976, 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 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 is set forth on page 8 of the 1976 Annual Report to shareholders of Scott & Fetzer, which page is incorporated herein by reference. 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.

During the fiscal year ended November 30, 1976, 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 20 and 40 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 residential, 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 750 independent distributors located throughout the United States and Canada which have a combined estimated direct sales and support force of approximately 12,000 persons. The Kirby Division's sales to distributors are substantially all for cash. In fiscal 1976, 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%, 23%, 20%, 21%, and 21% of total sales of Scott & Fetzer for each of the fiscal years 1972 through 1976, 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 water systems 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 numerous 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 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 1972 through 1976, sales to the leisure time market of complete spraying units and components accounted for approximately 11%, 12%, 13%, 15%, and 16% 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, including a solid-state control introduced in 1976.

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 and citizens band radio 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, 1976, Scott & Fetzer completed the acquisition of 10 businesses located throughout the United States and Canada of which 7 were accounted for as poolings of interest and 3 were accounted for as purchases. As a result of these acquisitions the Leisure Time line of business and the Commercial/Industrial line of business were substantially augmented. The consideration paid by Scott & Fetzer in connection with these acquisitions consisted of approximately $2,414,400 in cash and approximately 665,000 Common Shares of Scott & Fetzer having an approximate aggregate market value of $26 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. In January 1977, Scott & Fetzer sold the manufacturing assets and certain inventory of its chain saw operation together with a facility used for storage purposes. The disposition of these units did not materially affect the Company's sales or earnings.

On January 17, 1977 the Company purchased 267,308 of its Common Shares held by a former division president and his wife for $25.25 per share, aggregating $6,749,527.

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 years 1976 and 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, 1977, Scott & Fetzer employed approximately 7,600 persons, of whom approximately 1,640 were salaried and approximately 5,960 were hourly. Approximately 3,750 of the hourly employees in 25 of Scott & Fetzer's 53 plants are represented by labor organizations. Scott & Fetzer has enjoyed generally good relations with its employees. Approximately 2,040 employees are covered by 9 labor contracts which are scheduled for renegotiation during fiscal 1977.

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 15 of the 1976 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 7 of the 1976 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 47 manufacturing facilities and 6 warehouses in 46 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. 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 13 and 14 of the 1976 Annual Report to shareholders of Scott & Fetzer, which pages are incorporated herein by reference.

Item 4. PARENTS AND SUBSIDIARIES

The information required by Item 4 remains unchanged from the information given in response to this Item in Scott & Fetzer's Annual Report on Form 10-K, dated February 26, 1976, filed for its 1975 fiscal year (Commission File No. 0-231).

Item 5. LEGAL PROCEEDINGS

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

Item 6. INCREASE 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, 1975		7,556,024
Issuance of shares upon the exercise of outstanding stock options	20,900	
Outstanding at November 30, 1976		7,576,924

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, 1976:

Title of Class	Approximate Number of Record Holders
Common Shares without par value (stated value of $1.25 per share)	9,400

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	51	Group Vice President
John Bebbington has been employed by Scott & Fetzer as Group Vice President since July 19, 1971.		
J. F. Bradley	46	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 one year 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 Carl W. Goldbeck has been employed by Scott & Fetzer for more than five years in such capacities as Division President and Group Vice President.	53	Group Vice President
Niles H. Hammink Niles H. Hammink was employed by Scott & Fetzer for more than five years as President and Chief Executive Officer, and between September 1, 1974 and November 30, 1976 as Chairman.	65	Chairman and Chief Executive Officer (until November 30, 1976)
Kenneth D. Hughes Kenneth D. Hughes has been employed by Scott & Fetzer for more than five years in such capacities as Treasurer, Controller and Assistant Secretary.	55	Treasurer, Controller and Assistant Secretary
Quigg Lohr 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.	64	Senior Executive Vice President
Walter A. Rajki Walter A. Rajki has been employed by Scott & Fetzer for more than five years in such capacities as Division President and Group Vice President.	51	Group Vice President

Name	Age	Title
Ralph E. Schey	52	Chairman, President and Chief Executive Officer
Ralph E. Schey was elected President and Chief Operating Officer of Scott & Fetzer as of September 1, 1974 and Chairman as of December 1, 1976. 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.		
Robert C. Weber	46	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.		

Item 9. **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The information required by Item 9 remains unchanged from the information given in response to this Item in Scott & Fetzer's Annual Report on Form 10-K, dated February 26, 1976, filed for its 1975 fiscal year (Commission File No. 0-231).

Item 10. **FINANCIAL STATEMENTS AND EXHIBITS FILED**

(a) *All financial statements*. The Financial Statements and the Notes to Financial Statements of Scott & Fetzer for the fiscal year ended November 30, 1976, together with the Accountants' Report relating thereto are set forth on pages 9 through 17 of the 1976 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 of page F-1 hereof. With the exception of pages 7 and 8 and 9 through 17, and only to the extent herein set forth, the 1976 Annual Report to shareholders is not to be deemed filed as part of this Annual Report on Form 10-K.

(b) *All exhibits.*

None.

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 Robert C. Weber
Robert C. Weber, Secretary

February 24, 1977

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The consolidated financial statements for the years ended November 30, 1976 and 1975 and the report thereon of Independent Certified Public Accountants appear on pages 9 through 17 of the attached 1976 Annual Report to Stockholders which pages are incorporated in this Form 10-K Annual Report. With the exception of the aforementioned pages, the 1976 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, 1976 and 1975 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.

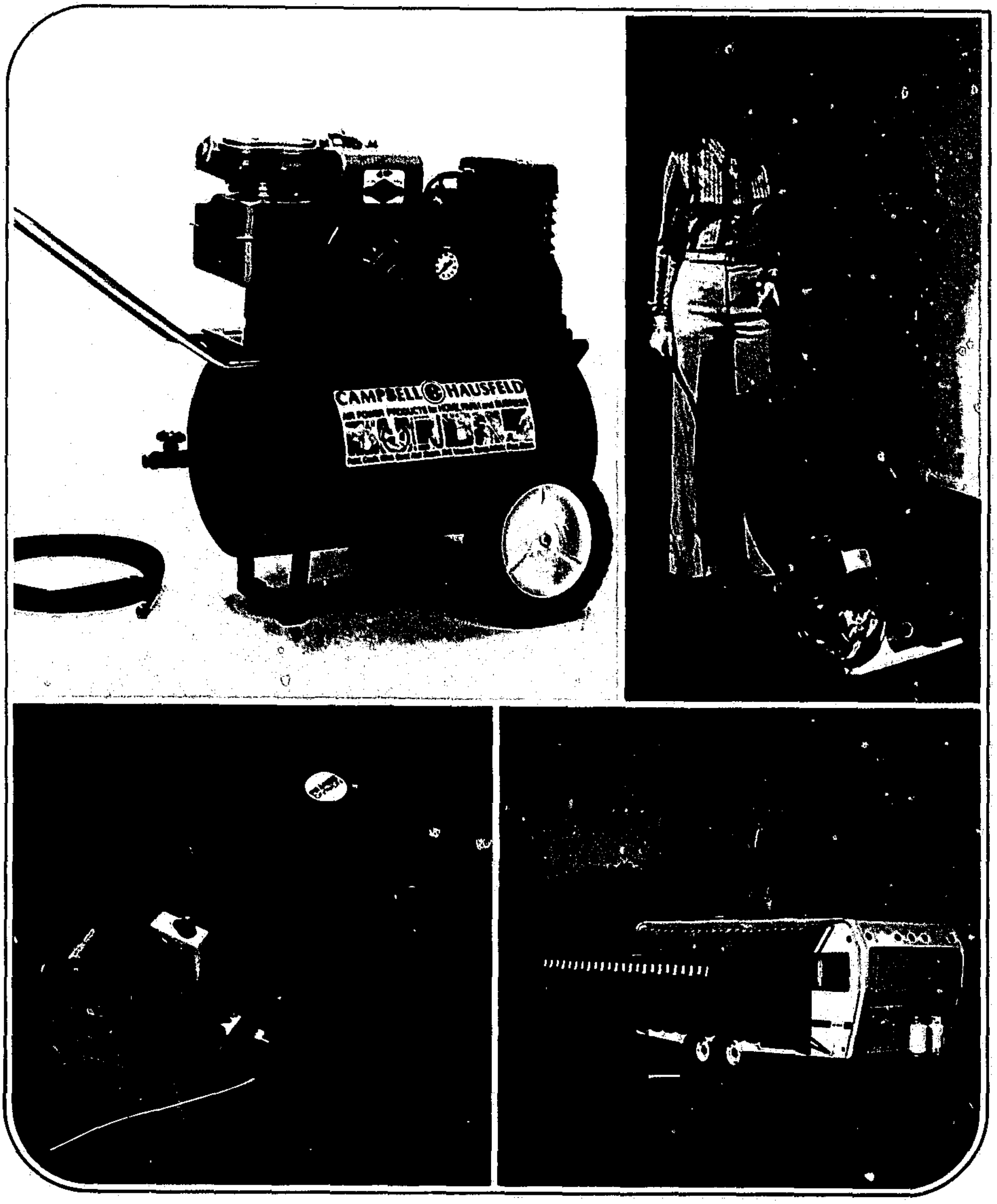
In our opinion, the aforementioned supporting schedules present fairly the information required to be included therein, in conformity with generally accepted accounting principles applied on a consistent basis.

We consent to the inclusion of our report dated January 25, 1977 accompanying the financial statements of The Scott & Fetzer Company included in the 1976 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, 1976.

COOPERS & LYBRAND

Cleveland, Ohio
January 25, 1977

The Scott & Fetzer Company
1976 Annual Report



A Tribute to Niles H. Hammink — Thirty Years of Leadership

On November 30, 1976, Niles Hammink retired as Chief Executive Officer, completing 30 years of service to Scott & Fetzer. In September, 1946, when Niles joined the company as Treasurer, it was a one-product-line company with sales of $1.7 million. He became President in 1968 and Chief Executive Officer in 1970. Under his leadership, the company achieved its greatest growth, becoming a multi-market company with 31 operating divisions, 50 plants located in 14 states and in Canada, 7,500 employees, and sales of $343 million.

In 1964, Scott & Fetzer made the decision to expand its single product into a multiple product company and Niles became the architect of the acquisition program, personally identifying and negotiating most of the transactions. His management philosophy emphasizing decentralized operations and division autonomy together with his humanistic approach in dealing with people contributed greatly to the smooth integration and assimilation of the many different organizations that became part of Scott & Fetzer.

Although the diversification program was one of the most successful in American industry, his single greatest contribution was in the growth and development of the Kirby division and its marketing organization. Kirby was always his first love and he was never too busy to spend time helping an independent Kirby distributor or divisional supervisor solve some problem. Among his many talents, Niles was an inventor. Several of the Kirby accessories and many of the engineering improvements on the Kirby vacuum cleaner were the result of his ideas. He is known and highly respected throughout the Kirby marketing organization for his many contributions to the success of this product.

When Niles took time to relax, he usually turned to his lifelong love of the water and has been for many years a recognized and accomplished sailor and yachtsman. Many trophies attest to his skills, as he approached these pursuits with the same enthusiasm and quest for excellence that marked his business activities.

Executive, business and industry leader, humanitarian, inventor and yachtsman, Niles Hammink is a man of diversified talents. The Scott & Fetzer Company of 1976 is largely his creation. As he begins his retirement period, the company will continue to benefit from his wise counsel in his new role as Director and Chairman of the Executive Committee. Above all, he has our gratitude and greatest admiration for the heritage he has provided.

The Officers and Employees of
The Scott & Fetzer Company

Mr. Hammink's Record

1946 — *Treasurer*

1957 — *Vice President and Treasurer*

1964 — *Director*

1966 — *Executive Vice President*

1968 — *President and Chief Operating Officer*

1970 — *Chief Executive Officer*

1974 — *Chairman of the Board and Chief Executive Officer*

1976 — *On November 30, retired from officer positions; continued as a Director and as Chairman of the Executive Committee of the Board of Directors.*

The Year at a Glance

(Dollar Amounts in Thousands Except Per Share Data)

	1974	1975	1976	Per Cent Change 1976 vs 1975
Net Sales	$291,258	$284,020	$343,043	21%
Income Before Taxes	25,931	32,791	45,855	40%
Per cent to Sales	8.9%	11.5%	13.4%	
Net Income	$ 13,696	$ 17,048	$ 22,861	34%
Per cent to Sales	4.7%	6.0%	6.7%	
Per cent to Shareholders' Investment	13.7%	15.6%	18.5%	
Per Share:				
Earnings	$ 1.81	$ 2.26	$ 3.01	33%
Dividends	1.00	1.02	1.17	15%
Book Value	13.25	14.49	16.34	13%
Total Assets	$162,729	$184,177	$207,223	13%
Shares Outstanding (000's)	7,555	7,556	7,577	
Number of Shareholders	9,896	10,105	9,3[illegible]	

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 22, 1977, 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.

On the Cover
Clockwise starting upper left: air compressor, *Campbell-Hausfeld;* the Kirby Classic III vacuum cleaner, *Kirby;* recreational vehicle awning, *Carefree of Colorado;* solid-state control for oil furnace ignition system, *France.*

To the Shareholders

This is my first letter to you as Scott & Fetzer's Chief Executive Officer. It is my pleasure to report that 1976 was a year of new records for Scott & Fetzer. Sales and earnings were at all-time highs and our balance sheet was the strongest in the company's history.

It is particularly appropriate for 1976 to be a record year in order to help commemorate the retirement in November, 1976, of Niles H. Hammink as Chairman and Chief Executive Officer. Throughout his business career Niles continually set new records and 1976 added one more accomplishment to his 30 years of achievement at Scott & Fetzer.

The consumer sector of the economy was very strong in the early part of 1976 but grew at a much slower rate during the last half of the year. Our consumer product sales, however, continued to grow throughout the year and experienced only a mild slowdown as the result of a 33-day strike at Melben Products, a unit of the Campbell-Hausfeld division. Cost-price pressures increased in severity as the year progressed, and we are now at the point in the historical business cycle where margins begin to decline unless there is renewed emphasis on productivity and pricing. Our fourth quarter margins demonstrate the attention that the divisional management personnel have given to these problems.

Consolidated sales were $343 million, 21% higher than 1975 with net income of $22.9 million compared to $17 million in the prior year, an increase of 34%. Earnings per share were $3.01 versus $2.26 in 1975, up 33%. Our net profit margin increased to 6.7% of sales, up from 6.0% last year, and our return on shareholders' equity was 18.5% compared with 15.6% in 1975. Increased emphasis on cost controls and operating improvements in a number of divisions were important contributions to our improved profitability.

Dividends were increased from a quarterly rate of 27 cents to 30 cents per share in May, 1976. During 1976, we paid total dividends of $1.17 per share, 15% above the $1.02 paid in the prior year. This increase was in accord with the long-term policy of your Board of Directors for an increasing payout to the shareholders which would be consistent with increasing earnings and the maintenance of the conservative cash position required of a growth company.

1976 was in most respects the best year in the company's history. We are proud and grateful for the outstanding contribution of our employees in making it an exceptional year.

Review of 1976 Programs

The financial review highlights the progress in various income statement and balance sheet data, but I would like to review some of the year's activities which favorably influenced those financial results.

A number of improvements and additions were made in various management positions which substantially strengthened some divisions that had operated at less than satisfactory profit levels. Some of these management appointments are covered in a subsequent section of this letter. Many of the organization changes were essential in order to solve short-term problems, but they have also contributed to the more important goals of accelerated product innovation, creative marketing strategy, and development of more intensive and effective internal control systems. Our continuous emphasis on productivity and aggressive marketing is reflected in the experience and knowledge of the managers we have selected.

At the corporate level, we have spent more time and given greater attention to assist our divisions with organization planning, management training, and incentive programs which will serve to motivate individual performance.

While a great deal of progress was accomplished in 1976 towards achieving long-term objectives, some activities initiated in 1976 will continue to require attention in 1977.

Our labor contract settlements were in many cases larger than projected productivity increases. This places added responsibility on our division management to achieve higher productivity gains while aggressively securing price increases to offset unrecovered costs. 1976 was a major labor contract year for a number of key industries and we believe that most of these companies will of necessity follow a similar course of action to that of Scott & Fetzer.

Our Campbell-Hausfeld division, while showing improvement over 1975, continued to operate at less than satisfactory margins. As part of the long-term improvement in this operation, we decided to sell the chain saw business. This transaction was completed in January, 1977. The opportunities in existing and proposed product lines will be more advantageous to the company in the long run than trying to develop a market leadership position in chain saws.

Our capital expenditures were approximately $4.6 million which was significantly lower than the $8 million forecast for the year. The facilities planned for Campbell-Hausfeld were deferred until we can completely evaluate the effects of disposing of the chain saw business. The new equipment required to service new state driver license contracts awarded the Dek/Electro division has been rescheduled for 1977.

Management Changes

During 1976, we made a number of important management changes, including several promotions from within the company. Mr. William E. Dotterweich, 40, was promoted to president of the Valley Tow-Rite division. Previously, he had been executive vice president-operations of the division. Mr. Ronald P. Drickhamer, 33, was named president of the Western Enterprises division. He had served as plant manager of the Kingston division's Smithville, Tennessee plant since 1971. Mr. Thomas F. Kiley, 49, who joined Scott & Fetzer in early 1976 as executive vice president of the Powerwinch/Ja-Son division became the division president in August.

New executives joining Scott & Fetzer as division presidents were: Mr. William H. Grabscheid, 43, the Humphreys Leather Goods division; Mr. Clarence D. Fayling, 54, the American-Lincoln division; Mr. James D. Dodson, 40, the Campbell-Hausfeld division; Mr. Lawrence M. Stein, 43, the Atlas Lighting division; and Mr. Kearney K. Kier, 40, the Cardinal Plastics division. These new Scott & Fetzer division presidents have excellent management backgrounds with substantial experience in the disciplines necessary to manage their respective divisions.

1977 Outlook

There appears to be a consensus among economists that the first half of 1977 could be weak due to energy and other short-term trends, with renewed strength during the remainder of the year. With the exception of automobile sales and housing, the year has started with general consumer demand at lower than expected levels.

We believe that our consumer business will be aided in the short run by the kind of economic package currently being proposed by the Carter Administration.

Current difficulties with energy may focus our national attention on an energy program which is beneficial to all affected parties — owners and developers of natural resources, producers, distributors, and users, whether industrial, commercial, or residential. As more money is spent to develop our national energy resources, those Scott & Fetzer divisions which are suppliers to such companies will benefit.

In general, we see 1977 providing greater sales opportunities than 1976, but we remain concerned about the effect of inflation, particularly if it should result in any form of wage and price controls.

Scott & Fetzer Corporate Strategy

Scott & Fetzer currently derives about two-thirds of its sales from consumer products. Looking ahead we believe that a more desirable ratio between our consumer and commercial/industrial activities would be about 50-50. We believe that the United States must become more capital products oriented if industry is to supply the kinds and quantities of jobs that provide a constantly improving standard of living for everyone.

This commitment will not in any manner diminish our efforts to expand our present consumer sales because consumer businesses tend to have fewer cyclical fluctuations than commercial/industrial products; however, it is our purpose to commit more corporate resources to the expansion and development of commercial/industrial activities because many of these markets will grow faster and more profitably than some consumer products. The expanded technical and manufacturing competency required for some of these products may be beneficial to our consumer businesses as well.

We will continue to review each of the businesses we are already in to determine the future potential profitability in relation to our corporate goals for income growth and return on investment. Those businesses which are not achieving minimum corporate financial goals will be studied in depth to determine a prudent course of action.

As we enter 1977 I am confident that Scott & Fetzer has the market opportunities, management talent, highly-motivated employees, and financial resources to continue our historical growth record. We are dedicated to serving our customers with high quality products, meeting our responsibilities both to the public and our shareholders, and making Scott & Fetzer a desirable and rewarding place for our employees.

Ralph Schey

RALPH SCHEY
Chairman and
Chief Executive Officer

Lakewood, Ohio
February 15, 1977

Financial Review

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

Sales, income before taxes, net income, earnings per share and dividends paid were new records for Scott & Fetzer in the 1976 fiscal year. Twenty-one of the thirty-one divisions achieved improved operating results compared with 1975. During 1976, the domestic economy showed moderate real growth, the inflation and interest rates were lower and consumers generally more confident. All of these factors contributed to improved business conditions during the year. Collectively, Scott & Fetzer's divisions achieved the 1976 corporate goals in sales, earnings, asset management and profitability.

Net income for the 1976 fiscal year totalled $22.9 million on consolidated sales of $343 million compared with $17 million and $284 million respectively in the prior year. This was an increase in net income of 34% on a sales gain of 21%. Earnings per share showed a growth of 33% to $3.01 compared with $2.26 in 1975. The net profit margin (stated as a percentage of net income to sales) rose to 6.7% from 6.0% last year. The return on shareholders' equity improved to 18.5% compared with 15.6% in 1975.

The growth in sales and earnings came from all market classifications with operations being especially strong in the leisure time and electrical categories. There was a significant earnings recovery in the lighting area reflecting the improved new home construction market.

The financial report on page 8 shows the results for the last five years and for the quarters of 1976 in the five major market classifications. The important trends in each of these areas are discussed in the following sections.

MARKET CLASSIFICATIONS

Floor Care. Sales in 1976 increased 19% to $85.9 million from $72 million in the prior year, and accounted for 25% of Scott & Fetzer's total business. Income before taxes was $20.9 million, 28% above the $16.3 million earned in 1975. These product lines contributed about 46% of the company's total 1976 earnings. All divisions in this category recorded higher sales; however, most of the growth came from the Kirby division which had a record year. The earnings growth also was broadly based but again the Kirby division's results were the predominant factor. Eight Scott & Fetzer divisions manufacture parts or supplies for the Kirby division and these units also contributed to the overall results.

Commercial/Industrial. For 1976, sales totalled $92.8 million compared with $82.8 million last year, an increase of 12%. This classification contributed 27% of total sales compared with 29% in 1975. Income before taxes was up 32% to $8 million from $6 million in the prior year, accounting for 17% of total earnings, down slightly from 18% last year. The Campbell-Hausfeld, Streamway, Humphreys, Flex-N-Gate and Stahl divisions contributed most of the sales growth, partially offset by lower volume in the Douglas division. Ten divisions in this classification had higher sales while four were lower. The increase in income before taxes principally reflected the substantial improvement in operating results at the Campbell-Hausfeld division. Nine other divisions also achieved earnings growth, particularly the Streamway, Stahl and Humphreys divisions. These results were partially reduced by the substantially lower earnings of the Douglas division. Both sales and earnings were down at Douglas due to sharply lower demand during the year for tank track links.

Leisure Time. 1976 sales were $89.5 million, 31% above the $68.3 million recorded in the prior year. This classification, now Scott & Fetzer's second largest, accounted for 26% of total sales, up from 24% last year. The growth in earnings was 72% to $5.8 million from $3.4 million in 1975. These product line earnings were 13% of the total compared with 10% last year. The Campbell-Hausfeld division was responsible for most of the increased volume although all divisions in this market classification had record years. Also, these divisions showed sharply higher earnings with Carefree of Colorado, Valley Tow-Rite and Powerwinch divisions attaining record results. Earnings in 1976, particularly in the fourth quarter, were affected by the operating results and preparation for disposition of the chain saw product line which was sold in January, 1977. It appears likely that the leisure time product lines should experience above-average growth in 1977.

Electrical. Sales in 1976 were $47.5 million, up from $37.2 million in the prior year, an increase of 28%. The electrical product lines' sales were 14% of Scott & Fetzer's total, compared with 13% in 1975. Income before taxes showed a growth of 43% to $10.1 million from $7 million last year, contributing 22% to the company's total earnings or about the same as in 1975. The higher sales volume and earnings came primarily from the Halex and France divisions, with the Kingston and Northland divisions also achieving higher volume. These gains were partially offset by moderately lower sales and earnings in the Adalet and PLM divisions, reflecting a slowdown in the energy-related markets.

Lighting. Volume for 1976 increased 16% to $27.5 million from $23.7 million in the prior year, accounting for about 8% of Scott & Fetzer's total sales, approximately the same percentage as in 1975. Income before taxes was $1.1 million compared with about a breakeven in 1975. All lighting divisions showed improved sales with most of the gain coming from the Virden-U.S. division. The Rembrandt division achieved a modest growth in sales volume and a substantial improvement in operating results with a profit for the year. The outlook for the lighting divisions continues to improve and it is expected that the operating results, which have been marginal in the last two years, should show further gains in 1977.

INCOME TAXES

The provision for federal, Canadian, state and local income taxes for the 1976 fiscal year totalled $23 million or 50.1% of income before taxes compared with $15.7 million and an effective tax rate of 48% in the prior year. The investment tax credit was $390,000 this year, slightly above the $380,000 in 1975. The "DISC" export tax credit declined to $183,000 from $241,000 in 1975. In addition, in 1976 the tax provision was increased to provide for various contingent tax items. The higher 1976 effective tax rate reflected the lower tax credits, relative to the higher 1976 income before taxes, and to the increased provision.

ANALYSIS OF EARNINGS

Net income and earnings per share in each quarter exceeded the comparable quarters of 1975 and established new records. 1976 was an excellent year with the company's budgeted projections being met or exceeded. Results for 1976 reflected the substantially greater sales volume, higher selling prices, tight cost controls, productivity gains and improved operating conditions in several divisions. The net effect of these factors was a meaningful gain in profitability.

The table below shows, for net income and earnings per share, the principal elements of the 1976 gain versus 1975:

	Net Income (000's)	Earnings Per Share
1975	$17,048	$2.26
Increase (Decrease) in 1976 from:		
Operations	6,152	.81
Lower net interest costs	640	.08
Higher effective income tax rates	(979)	(.13)
Higher common and common equivalent shares	—	(.01)
Net change	5,813	.75
1976	$22,861	$3.01

Financial Review

The growth in net income after taxes was $5.8 million for 1976 compared to the prior year. Income from operations contributed $6.2 million, or 81 cents per share — an increase of 32%. Net interest costs (interest expense less interest income, after taxes) declined $640,000, equivalent to 8 cents per share. Higher state and local income taxes together with lower relative tax credits and increased provision for federal income taxes reduced earnings by $979,000 or 13 cents per share. The slightly larger number of common and common equivalent shares used in the calculation reduced earnings per share one cent. The net effect of these factors was an increase in earnings per share of 75 cents, a gain of 33%.

FINANCIAL POSITION

As shown on the balance sheet, pages 10-11, Scott & Fetzer's financial position became even stronger during 1976. Total assets at November 30, 1976 were $207.2 million compared with $184.2 million at the prior year end. Working capital (current assets less current liabilities) increased $15.6 million to $116.2 million from $100.6 million at the end of 1975. Cash and securities totalled $47.4 million compared with $38.4 million a year earlier. Trade and other receivables were $48.1 million, up $8 million. Inventories increased $5.8 million to $61.4 million. The total investment in receivables and inventories was up 14% from 1975 on a 21% gain in sales volume.

Total property, plant and equipment declined slightly from the November 30, 1975 level since depreciation during 1976 exceeded expenditures for new facilities and equipment. Long-term debt of $34.4 million was modestly below the prior year end due to normal repayments. Shareholders' equity increased $14.3 million to $123.8 million, a gain of 13%. Book value per common share was $16.34 up from $14.49 at the end of 1975.

In January, 1977, the company purchased a 267,308 share block of its common shares for approximately $6.7 million. These treasury shares will be used for executive and key employee stock option programs. Also, in January, 1977, the chain saw product line of the Campbell-Hausfeld division was sold for about $1.5 million which was the realizable book value of these assets. These two transactions, while beneficial from a long-term viewpoint, reduced Scott & Fetzer's cash position by $5.2 million.

QUARTERLY DATA FOR 1976

The quarterly sales, costs and earnings figures for 1976 are shown in the table below.

(Dollar Amounts in Thousands Except Per Share Data)

	1976 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Sales	$74,592	$92,393	$88,865	$87,193
Costs and operating expenses	65,015	79,633	76,967	75,571
Other (deductions)	(107)	(252)	(93)	450
Income before income taxes	9,470	12,508	11,805	12,072
Provision for income taxes				
State and local	450	571	607	692
Federal and Canadian	4,187	5,590	5,295	5,602
Net income	$ 4,833	$ 6,347	$ 5,903	$ 5,778
Earnings per share	$ .64	$ .83	$ .78	$ .76

Common Stock Market Price and Dividend Information

	Market Price of Common Shares				Dividends Per Share	
	1976		1975			
Fiscal Quarter	High	Low	High	Low	1976	1975
First	$26¼	$17⅞	$12⅝	$ 8⅛	$.27	$.25
Second	29⅞	23⅝	16	11⅜	.30	.25
Third	26⅝	23¼	19⅝	14	.30	.25
Fourth	25⅞	21½	22	15¼	.30	.27
Closing price at December 31, 1976	$26					

Summary of Operations

	(Dollar Amounts in Thousands Except Per Share Data) Years Ended November 30				
	1976	1975	1974	1973	1972
Net sales	$343,043	$284,020	$291,258	$270,714	$229,361
Cost of goods sold	253,404	213,758	226,393	196,589	163,318
Interest expense	3,181	2,846	2,593	650	533
Interest income	2,872	1,305	132	429	387
Provision for income taxes					
State and local	2,320	1,451	1,203	1,671	1,538
Federal and Canadian					
Current	19,898	13,286	9,907	17,115	16,867
Deferred	776	1,006	1,125	409	128
Total taxes	22,994	15,743	12,235	19,195	18,533
Net income	$ 22,861	$ 17,048	$ 13,696	$ 20,869	$ 18,189
Per Share					
Earnings per common and common equivalent share	$ 3.01	$ 2.26	$ 1.81	$ 2.76	$ 2.40
Dividends	1.17	1.02	1.00	1.00	.83
Average number of common and common equivalent shares (000's)	7,594	7,559	7,553	7,571	7,563

Management's Discussion and Analysis of the Summary of Operations

1976 VERSUS 1975

The company's consolidated net sales increased 21% over the prior year level, reflecting unit volume growth and generally higher selling prices.

Cost of goods sold was 19% higher than in 1975 due to growth in unit volume and increased costs of purchased materials. Interest expense was up 12% over the prior year due primarily to the $30-million 9% ten-year note issue (which replaced bank loans) being outstanding for the full year compared with about six months in 1975. Interest income was substantially higher in 1976 as a result of the interest earned on the company's short-term investments which were well above the 1975 level due to the favorable cash flow from operations.

Total state, local, federal and Canadian income tax provisions were up 46% in 1976 principally reflecting the increased income before taxes, higher state and local tax rates and lower tax credits relative to the level of income before taxes. The effective tax rate for 1976 was 50.1% compared to 48% in the prior year.

Net income for 1976 was up 34% due to the growth in sales volume, improved gross margins and lower net interest costs partially offset by the higher effective income tax rates.

The increase in earnings per share of 33% was slightly less than the rate of increase in net income due to a larger number of common and common equivalent shares in 1976.

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 from operations during the year, 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.

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										
1976	**$85,873**	**25%**	**$92,751**	**27%**	**$89,455**	**26%**	**$47,478**	**14%**	**$27,486**	**8%**
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%
INCOME BEFORE TAXES										
1976	**$20,923**	**46%**	**$ 7,960**	**17%**	**$ 5,843**	**13%**	**$10,072**	**22%**	**$ 1,057**	**2%**
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%

1976 BY QUARTER

	FLOOR CARE	COMMERCIAL/ INDUSTRIAL	LEISURE TIME	ELECTRICAL	LIGHTING
SALES					
First	$18,707	$20,235	$18,220	$11,007	$ 6,423
Second	21,659	23,433	28,160	12,152	6,989
Third	22,490	24,394	23,894	11,281	6,806
Fourth	23,017	24,689	19,181	13,038	7,268
INCOME BEFORE TAXES					
First	$ 4,308	$ 1,572	$ 1,368	$ 2,108	$ 114
Second	5,288	1,428	2,652	2,699	441
Third	5,455	2,110	1,685	2,181	374
Fourth	5,872	2,850	138	3,084	128

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 1976	1975
NET SALES	$343,043	$284,020
Cost of goods sold	253,404	213,758
Gross profit	89,639	70,262
Selling, general and administrative expenses	43,782	35,581
Operating profit	45,857	34,681
Other income (deductions)		
Interest expense	(3,181)	(2,846)
Interest income	2,872	1,305
Other, net	307	(349)
	(2)	(1,890)
Income before provision for income taxes	45,855	32,791
Provision for income taxes		
State and local	2,320	1,451
Federal and Canadian		
Current	19,898	13,286
Deferred	776	1,006
	22,994	15,743
NET INCOME	22,861	17,048
Retained earnings, beginning of year	94,344	85,002
	117,205	102,050
Cash dividends	8,864	7,706
Retained earnings, end of year	$108,341	$ 94,344
PER SHARE		
Earnings per common and common equivalent share	$ 3.01	$ 2.26
Dividends	$ 1.17	$ 1.02
Average number of common and common equivalent shares outstanding (000's)	7,594	7,559

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

Consolidated Balance Sheet

The Scott & Fetzer Company and Subsidiary Companies

(Dollar Amounts in Thousands)

	November 30	
ASSETS	1976	1975
CURRENT ASSETS:		
Cash	$ 298	$ 530
Certificates of deposit	26,689	33,797
Short-term investments	20,444	4,050
Trade receivables, less allowance for doubtful accounts 1976 — $834 1975 — $810	47,121	38,714
Other receivables	929	1,310
Inventories: (Note 8)		
Raw material and supplies	32,169	28,651
Work in process	13,999	13,771
Finished goods	15,212	13,157
	61,380	55,579
Prepaid expenses	3,955	2,874
TOTAL CURRENT ASSETS	160,816	136,854
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	1,988	2,069
Buildings	14,696	16,334
Machinery and equipment	57,517	52,897
	74,201	71,300
Accumulated depreciation	30,932	27,149
TOTAL PROPERTY, PLANT AND EQUIPMENT	43,269	44,151
INTANGIBLE ASSETS ARISING FROM ACQUISITIONS	2,120	2,149
OTHER ASSETS	1,018	1,023
	$207,223	$184,177

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

LIABILITIES	November 30 1976	1975
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 1)	$ 422	$ 440
Accounts payable, trade	20,822	19,308
Accounts payable, other	1,730	1,282
Federal and Canadian income taxes	7,549	4,332
Accrued taxes, other	2,643	1,718
Accrued liabilities for payroll, pension funds, commissions, interest and other	11,470	9,172
TOTAL CURRENT LIABILITIES	44,636	36,252
LONG-TERM DEBT (Note 1)	34,350	34,772
DEFERRED INCOME TAXES	4,433	3,657
TOTAL LIABILITIES	83,419	74,681
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 & 6)		
Stated value of issued shares $1.25 per share		
1976 — 7,576,924		
1975 — 7,558,185 less 2,161 in treasury	9,471	9,445
ADDITIONAL CAPITAL (Note 6)	5,992	5,707
RETAINED EARNINGS (Note 1)	108,341	94,344
TOTAL SHAREHOLDERS' EQUITY	123,804	109,496
	$207,223	$184,177

Statement of Changes in Financial Position

The Scott & Fetzer Company and Subsidiary Companies

(Dollar Amounts in Thousands)

	Year Ended November 30 1976	1975
SOURCE OF FUNDS		
From operations:		
Net income	$ 22,861	$ 17,048
Depreciation and amortization	5,207	4,902
Deferred federal income taxes	776	1,006
Total from operations	28,844	22,956
Proceeds from issuance of long-term debt, net	—	31,639
Sale of common stock under stock options	311	17
Disposal of fixed assets	419	112
Other, net	(74)	204
	29,500	54,928
APPLICATION OF FUNDS		
Cash dividends	8,864	7,706
Additions to property, plant and equipment	4,636	6,064
Decrease in long-term debt	422	25,052
	13,922	38,822
INCREASE IN WORKING CAPITAL	$ 15,578	$ 16,106
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL		
Current assets:		
Cash and certificates of deposit	$ (7,340)	$ 29,190
Short-term investments	16,394	4,000
Trade and other receivables	8,026	753
Inventories	5,801	(14,948)
Prepaid expenses	1,081	846
	23,962	19,841
Current liabilities:		
Current portion of long-term debt	(18)	(8)
Trade and other payables	1,962	(1,108)
Accrued liabilities, including taxes	6,440	4,851
	8,384	3,735
INCREASE IN WORKING CAPITAL	$ 15,578	$ 16,106

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

1. LONG-TERM BORROWINGS

Long-term borrowings at November 30, 1976 are as follows (thousands of dollars):

	Current	Non-current
Notes, 9%, due May 15, 1985	$ —	$30,000
Mortgage notes, 5½% to 6½%, maturities to 1981	89	297
Insurance company loan, 6%, maturities to 1980	200	1,100
Obligations under Lease/Purchase Agreements, 4¼% to 8%, maturities to 1988	133	2,953
	$422	$34,350

Under the terms of the indenture for the $30,000,000 of 9% notes, 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 $38,338,000 at November 30, 1976. 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. The effective interest rate approximates 9.19% after deducting original issue discount.

Mortgage notes require aggregate monthly payments of $9,235 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, 1977 through 1981 are $422,000, $427,000, $431,000, $410,000 and $1,095,000, respectively.

Interest and debt expense on long-term debt was $3,036,000 and $2,652,000 for the years ended November 30, 1976 and 1975, 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, 1976, amount to the following (thousands of dollars):

Years ending November 30	All Leases: Land and Buildings	Machinery and Equipment	Total	Total for Financing Leases
1977	$ 2,778	$133	$ 2,911	$ 1,643
1978	2,548	55	2,603	1,550
1979	1,998	21	2,019	1,388
1980	1,821	10	1,831	1,325
1981	1,711	6	1,717	1,251
1982-1986	7,934	14	7,948	6,015
1987-1991	2,923	—	2,923	2,306
1992-1996	610	—	610	542
After 1996	1,662	—	1,662	1,662
Total rental commitments	$23,985	$239	$24,224	$17,682

The present values of the minimum lease commitments for all non-capitalized financing leases as of November 30, 1976 are as follows (thousands of dollars):

Land and buildings	$10,711
Machinery and equipment	164
Total	$10,875

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 5% to 12% and averaged 6.8%. If all financing leases were capitalized and amortized over the terms of the leases and interest at the foregoing rates was 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, 1976 and 1975 amounted to $3,855,000 and $3,711,000, respectively, of which $1,575,000 and $1,818,000, respectively, were applicable to financing lease rentals.

3. STOCK OPTIONS

The Company adopted common stock option plans in 1967 and 1973 for which 60,650 shares and 105,050 shares, respectively, are reserved for issuance under outstanding options at November 30, 1976. Shares reserved for future grants at November 30, 1976 and 1975 were 239,600 and 224,900, respectively.

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. No options were granted during 1976.

Information at November 30, 1976 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:					
1975	20,500	$12.29	$ 251,938	$12.29	$ 251,938
Options becoming exercisable:					
1975	54,716	26.22	1,434,861	11.13	609,043
1976	49,182	26.10	1,283,885	22.22	1,092,733
Options exercised:					
1975	1,200	14.75	17,700	19.67	23,604
1976	20,900	14.90	311,500	20.10	420,000
Options outstanding:					
1975	216,900	25.01	5,425,500	25.01	5,425,500
1976	165,700	26.21	4,343,638	26.21	4,343,638

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 1976 and 1975, options for 30,300 shares and 25,725 shares, respectively, were cancelled. The Company makes no charge against income with respect to options.

4. PENSION AND RETIREMENT PLANS

The majority of the Company's employees are covered by various non-contributory trusteed pension and profit-sharing plans. Changes in these plans required by the Employee Retirement Income Security Act became effective on the first day of each plan's year beginning in 1976. It is not anticipated that the changes will result in a material increase in annual pension expense.

Contributions under the plans charged to operations were $2,691,000 and $2,369,000 for the years ended November 30, 1976 and 1975, 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 $12,668,000. The Company's policy is to fund pension costs accrued. The aggregate actuarially computed value of vested benefits exceeded the total pension fund assets and balance sheet accruals by approximately $3,196,000 at November 30, 1976.

5. CONTINGENT LIABILITIES

Any liability that may result from lawsuits and other claims pending against the Company and its subsidiaries as of November 30, 1976 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, 1975 and 1976 were as follows (dollars in thousands):

	Common Stock			
	Treasury Shares	Issued Shares	Stated Value	Additional Capital
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
Sale of stock under options	2,161	18,739	26	285
Balance, November 30, 1976	—	7,576,924	$9,471	$5,992

7. FEDERAL AND CANADIAN INCOME TAXES

The effective income tax rates were 47.49% for the year ended November 30, 1976 and 45.60% for 1975. The difference between these rates and the statutory U.S. income tax of 48% resulted from:

	Year ended November 30	
	1976	1975
Investment tax credit	.89%	1.21%
Other, net	(.38)	1.19
	.51%	2.40%

8. INVENTORIES

If the first-in, first-out cost method of inventory valuation had been used for those inventories presently valued using the last-in, first-out method, inventories would have been $9,438,000 and $8,217,000 higher than reported at November 30, 1976 and 1975, respectively.

Inventories used in the computation of cost of goods sold were as follows (thousands of dollars):

November 30, 1974	$70,527
November 30, 1975	55,579
November 30, 1976	61,380

9. SUBSEQUENT EVENTS

During January, 1977 the Company consummated the sale of an unprofitable product line of one of its divisions to the former President of the Division. The product line assets were sold at a book value of $1,491,000 which was their estimated realizable value. Also, on January 17, 1977 the Company purchased 267,308 of the Company's common shares held by the former division President for $25.25 per share, aggregating $6,749,527.

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—Short-term investments, principally United States Treasury obligations, are carried 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 standard 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. When property is retired or is otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss included in current income. Maintenance, repair and ordinary renewals are charged to expense as incurred.

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 Tax Credit—In the year it arises, investment tax credit is recorded 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 1976.

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, 1976 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, 1975.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of The Scott & Fetzer Company and subsidiary companies at November 30, 1976 and 1975, 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 25, 1977

Report of the Board of Directors' Audit Committee

Last year, the Audit Committee of the Board of Directors issued its first report to you. The Audit Committee is comprised of four outside Directors and held four meetings during 1976.

We consider our primary responsibilities to be to review external and internal audit activities of the corporation, to review earnings releases before publication, to discuss with the chief internal auditor and the independent auditors — Coopers & Lybrand — the adequacy of internal controls and the quality of the corporation's accounting and financial operations, as well as any recommendations made by the outside auditors.

To fulfill this mission, we receive copies of all relevant internal financial statements and audit reports and discuss these and other pertinent subject matters at least quarterly with representatives of Coopers & Lybrand and the management of the corporation, including the head of the internal audit department.

We do not feel that all problems have been solved in the financial administration of Scott & Fetzer. But, we believe that substantial improvement was made during 1976, not only in reporting disciplines but also in personnel involved. We believe the Committee has been informed fully by the Management in a completely frank atmosphere of any weaknesses they perceive. Nothing of any material adverse nature has come to our attention. We continue to monitor the accounting and financial aspects of the Corporation, with the assistance of the external and internal auditors, to assure that obligations to public regulatory agencies, to the Board of Directors and to you are met.

We thank all those involved for their cooperation and help in our endeavor to accomplish our responsibilities.

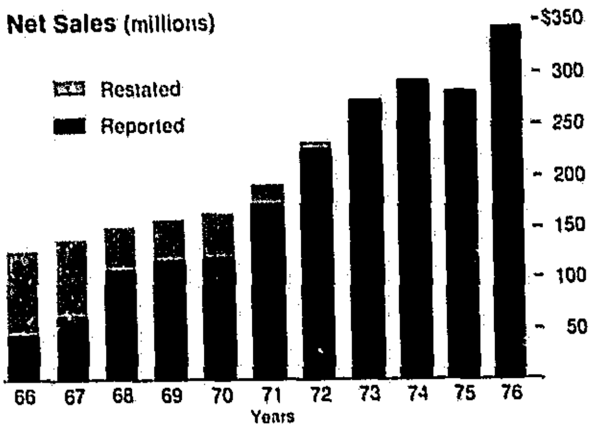
For the Audit Committee

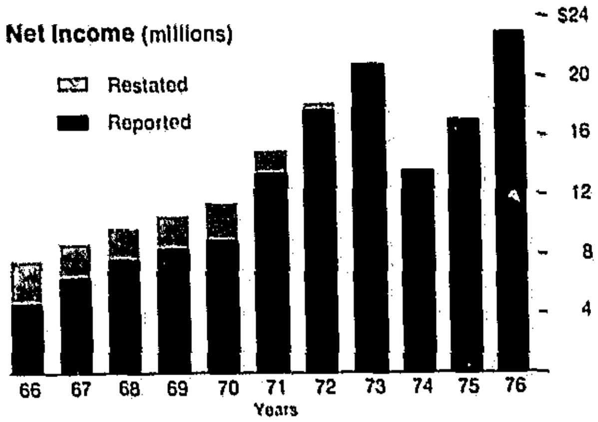
J. A. Hughes

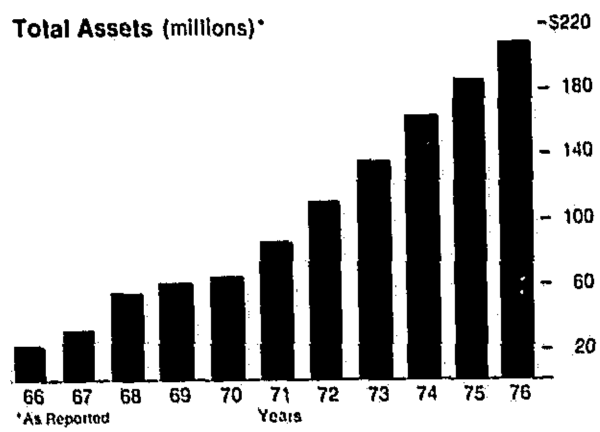
James A. Hughes
Chairman

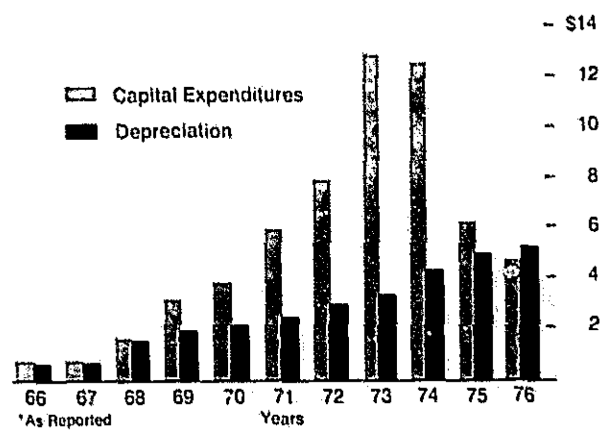
Cleveland, Ohio
January 25, 1977

Historical Record, 1966-1976









(Dollar Amounts in Thousands Except Per Share Data)

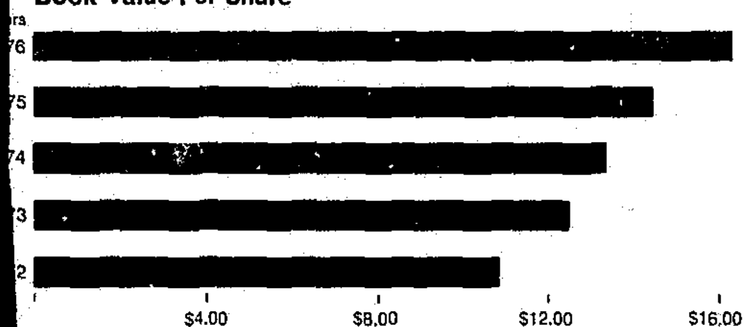
AS REPORTED*	1976	1975	1974
Net Sales	$343,043	$284,020	$291,258
Income Before Taxes	45,855	32,791	25,931
Net Income	22,861	17,048	13,696
Cash Dividends	8,864	7,706	7,554
Per cent Payout of Net Income	38.8	45.2	55.2
Earnings Retained and Reinvested	13,997	9,342	6,142
Capital Expenditures	4,636	6,064	12,473
Working Capital	116,180	100,602	84,496
Long-Term Debt	34,350	34,772	27,424
Total Assets	207,223	184,177	162,729
Shareholders' Equity	123,804	109,496	100,137
Per cent Return on Shareholders' Equity	18.5	15.6	13.7
Per Share			
Earnings	3.01	2.26	1.81
Dividends	1.17	1.02	1.00
Book Value	16.34	14.49	13.25
Market Price Range	29⅜-17⅝	22-8⅛	25⅝-8⅜
Price Earnings Ratio	10-6	10-4	14-4
Year-End Data			
Shares Outstanding (000's)	7,577	7,556	7,555
Number of Shareholders of Record	9,377	10,105	9,896
Number of Employees	7,500	7,084	7,481
RESULTS RESTATED FOR POOLINGS**			
Net Sales	$343,043	$284,020	$291,258
Income Before Tax	45,855	32,791	25,931
Per cent to Sales	13.4	11.5	8.9
Net Income	22,861	17,048	13,696
Per cent to Sales	6.7	6.0	4.7
Earnings Per Share	3.01	2.26	1.81

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

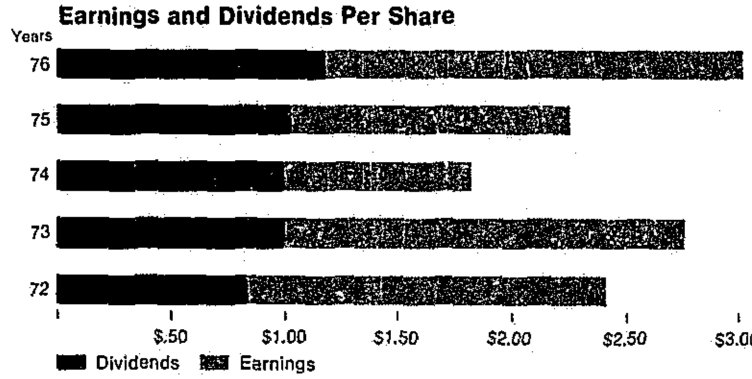
** *"Results Restated" includes operations for divisions acquired by poolings of interests for the years prior to the year of acquisition.*

1973	1972	1971	1970	1969	1968	1967	1966
$270,714	$223,610	$169,036	$116,368	$115,489	$106,295	$ 60,058	$ 41,331
40,064	35,760	26,734	17,571	17,076	16,047	11,969	8,734
20,869	17,723	13,368	8,864	8,389	7,697	6,300	4,579
7,456	5,886	4,768	4,532	4,518	3,500	2,426	2,276
35.7	33.2	35.7	51.1	53.9	45.5	38.5	49.7
13,413	11,837	8,600	4,332	3,871	4,197	3,874	2,303
12,753	7,941	5,872	3,784	3,100	1,591	994	610
60,505	54,581	45,142	34,672	33,599	29,769	15,879	9,478
3,334	3,892	4,635	3,712	4,258	4,781	1,441	1,144
136,076	110,540	85,742	64,112	60,131	54,497	30,996	21,041
93,837	78,836	63,199	47,719	44,485	37,298	22,668	14,518
22.2	22.5	21.2	18.6	18.9	20.6	27.8	31.5
2.76	2.41	1.95	1.56	1.47	1.46	1.39	1.20
1.00	.83	.80	.80	.80	.72	.60	.60
12.44	10.76	9.24	8.50	7.83	7.08	5.00	3.81
44¾-24⅛	45¾-26⅛	29⅛-16¾	17¼-10⅛	29⅜-13	32½-24	32¾-10⅜	14½-10
16-6	19-11	14-8	11-6	20-9	22-15	23-7	12-8
7,544	7,326	6,843	5,616	5,679	5,271	4,535	3,811
8,498	8,697	10,172	11,445	10,519	9,814	4,750	4,376
8,296	6,917	5,499	4,317	4,057	3,982	1,677	1,131
$270,714	$229,361	$188,730	$161,112	$154,530	$146,721	$134,426	$122,531
40,064	36,722	29,722	22,527	21,072	19,764	16,280	14,117
14.8	16.0	15.7	14.0	13.6	13.5	12.1	11.5
20,869	18,189	14,846	11,377	10,434	9,662	8,694	7,454
7.7	7.9	7.9	7.1	6.8	6.6	6.5	6.1
2.76	2.40	1.97	1.53	1.39	1.29	1.16	.99

Book Value Per Share



Earnings and Dividends Per Share



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

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 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

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, 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 Cross Road
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

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 Cross Road
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

ELECTRICAL PRODUCTS

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 and CB antennas.

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

Douglas Division*
141 Railroad Street
Bronson, Michigan 49028

France 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 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

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

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

NILES H. HAMMINK
Formerly Chairman and
Chief Executive Officer,
The Scott & Fetzer Company

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

LAWRENCE C. JONES
Chairman and President,
Van Dorn Company
Manufacturer of special purpose containers and plastic injection molding machinery, and heat treating of steel

DELMAR W. KARGER
Professor of Management,
Rensselaer Polytechnic Institute

QUIGG LOHR
Senior Executive
Vice President

RALPH SCHEY
Chairman, President and
Chief Executive Officer

THOMAS W. SMITH
Private Investor

Audit Committee

JAMES A. HUGHES, Chairman
JOSEPH T. BAILEY
LAWRENCE C. JONES
THOMAS W. SMITH

Executive Committee

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

Investment Committee

QUIGG LOHR, Chairman
JAMES A. HUGHES
THOMAS W. SMITH

CORPORATE MANAGEMENT

RALPH SCHEY
Chairman, President and
Chief Executive 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

People—The Fundamental Resource

Scott & Fetzer employees currently number about 7,500 in over 50 different locations. The company and its various predecessor organizations have been built by entrepreneurs and their associates who demonstrated the ability, knowledge, skills and, above all, the attitude to achieve their growth objectives.

As these entrepreneurs and builders have retired, our challenge has been to promote or hire managers who are professionally qualified yet who seek and enjoy an entrepreneurial atmosphere. Growth, both personal and corporate, is essentially the engine for survival. Growth serves people and is important to investors. It is the singular characteristic in a company which makes it attractive to potential new employees and is a motivating influence on present employees.

Growth can be easily measured in financial terms. Real growth, however, begins with the company's human resources—the critical catalyst to the attainment of any of the corporate objectives. To enhance and expand these resources requires a commitment to our investment in people. Scott & Fetzer's decentralized operating structure, wherein each division operates autonomously as a separate profit center, is a well-developed and proven management philosophy. Each division president is encouraged to develop and manage the division in an entrepreneurial mold; to aim at creating new businesses and markets in addition to improving the established product lines; to create new performance opportunities as well as to improve on past performance.

Planning for and managing growth requires entrepreneurship and innovation from managers. They must create an environment in which subordinates will develop and advance and in which an innovative organization will respond. Their success depends largely on how well they integrate knowledge into work and work into performance. Scott & Fetzer gives the divisions maximum freedom to operate and innovate consistent with the company's financial and public responsibilities.

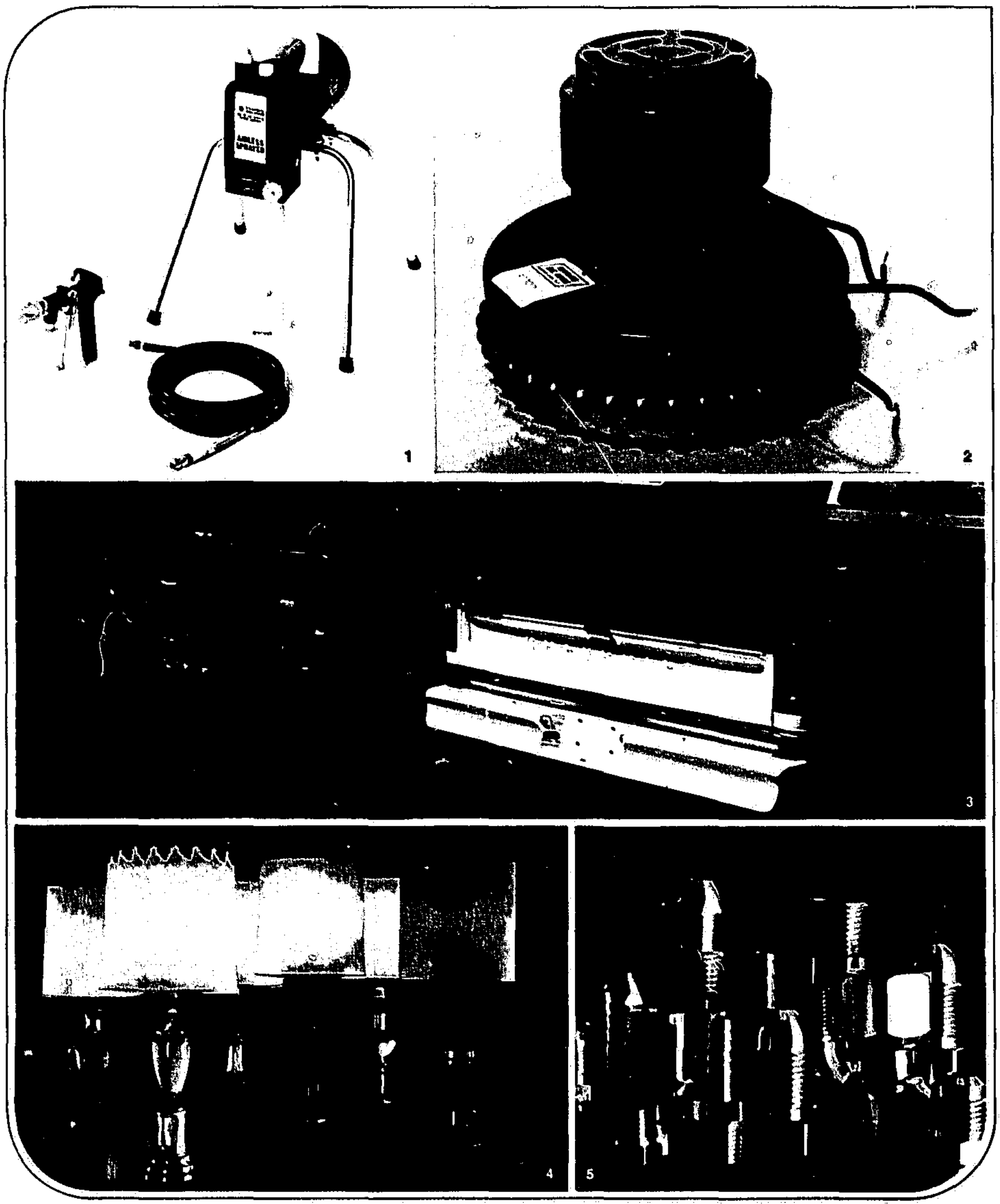
Each division's annual business plan is an integration of all of the division's objectives and goals and in turn those of each individual manager. Annual performance reviews are important in motivating and compensating the members of the division's management team as well as other employees. An incentive compensation program is tied to the achievement and performance of those managers who are most responsible for the division's results. The overall program helps to attract, retain, and develop managers for future responsibilities.

Each division president is expected to respond to the management development needs of the subordinate managers, recommending additional formal training or the acquisition of new skills which might be helpful in meeting future objectives. Scott & Fetzer also encourages the use of various programs tailored to meet the demand for a more knowledgeable and skilled work force.

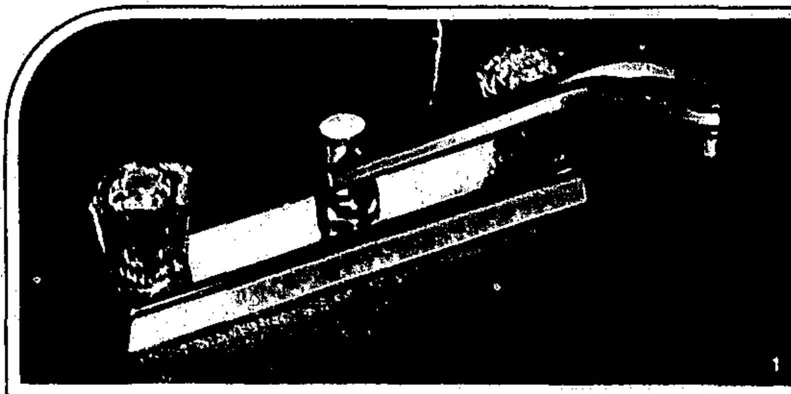
Scott & Fetzer has an equally concerned attitude toward collective bargaining. The company currently has 23 labor contracts with 11 international unions and their affiliated locals. During 1976, thirteen contracts were negotiated and all but one was successfully concluded without a work stoppage. In addition, there were three elections at locations without labor unions and in each case employees voted to remain independent. Scott & Fetzer is proud of its history of successful and harmonious employee relations. The company places great emphasis on the consistent and fair treatment of employees and on creating a positive and rewarding work environment.

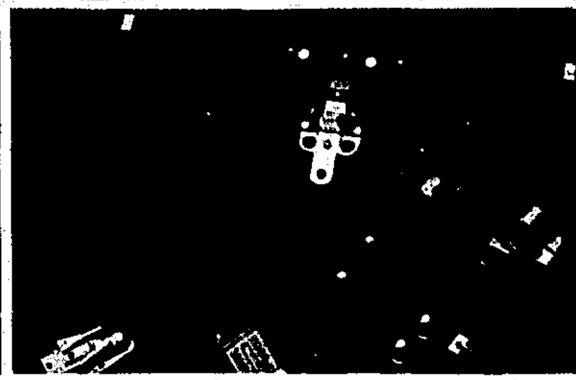
The entrepreneurial and flexible environment in which managers and employees work, along with the recognition for outstanding results, has been responsible for the overall high performance levels of the company. The ability of present and future managers to plan for and successfully respond to rapid changes in our business environment is the fundamental resource which will enable us to meet the ambitious goals and objectives of Scott & Fetzer.

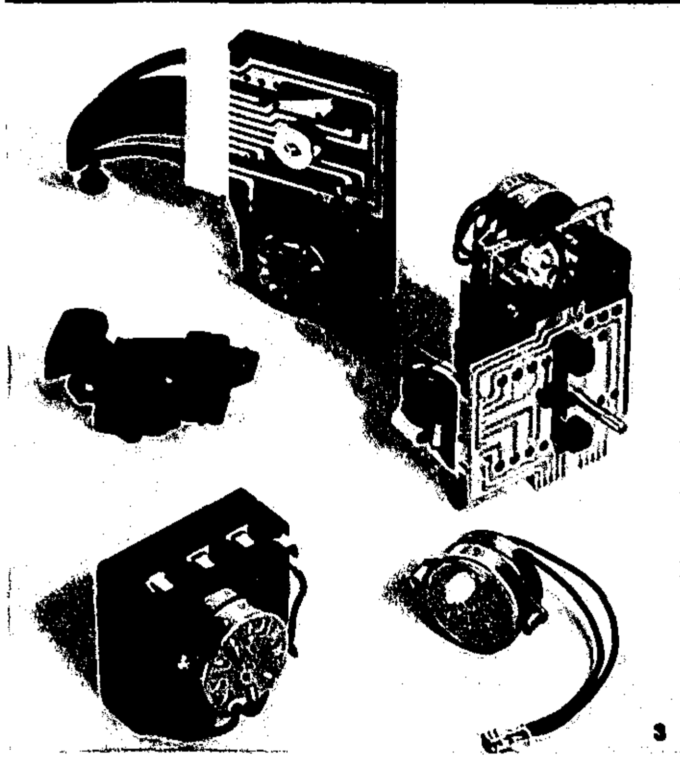
1. Airless paint sprayer, *Campbell-Hausfeld*
2. Vacuum motor unit, *Northland*
3. Pickup truck bumpers, *Flex-N-Gate*
4. Decorator lamps, *Rembrandt Lamp*
5. Compressed gas fittings, *Western Enterprises*

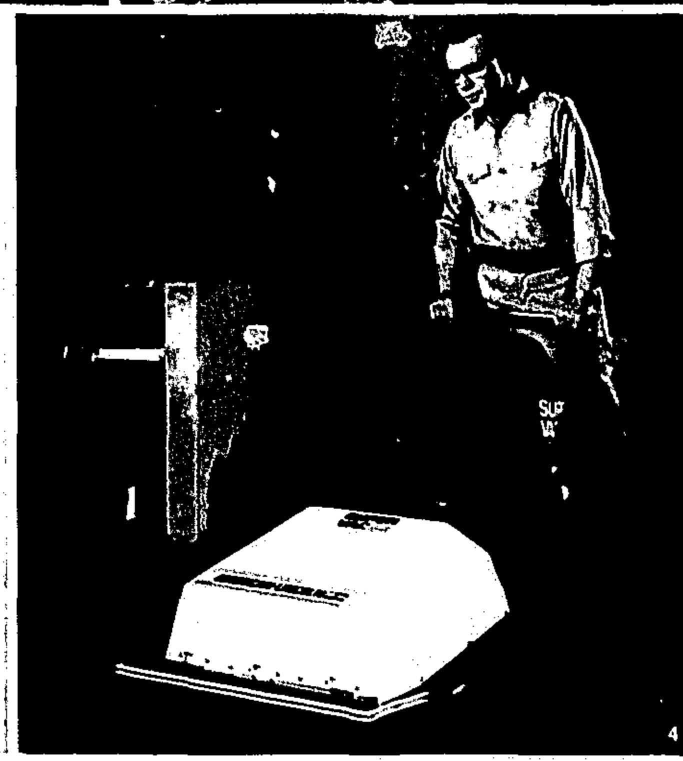


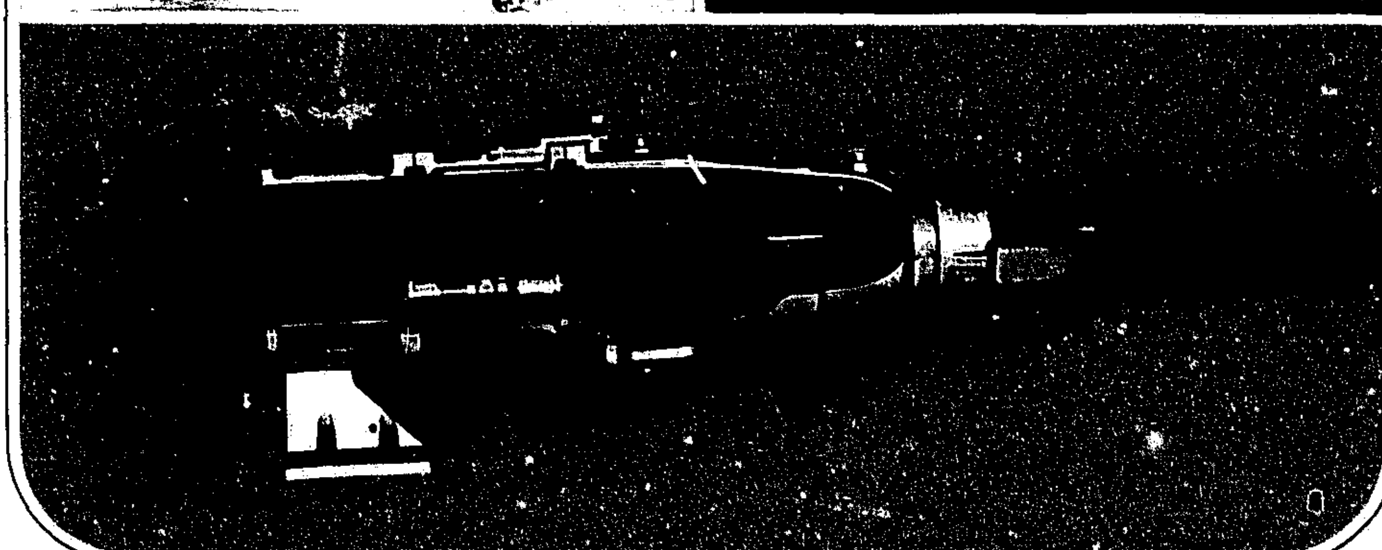
1. Plumbing fixture, *Streamway Products*
2. Trailer hitch and towing parts, *Valley Tow-Rite*
3. Electrical controls for automatic laundry equipment, *Kingston*
4. "Super Vac" commercial floor sweeper, *American-Lincoln*
5. High-voltage electrical coupler, *PLM Products*











SUPPLEMENTARY NOTES TO FINANCIAL STATEMENTS

1. Accrued liabilities at November 30, 1976 and 1975 were as follows:

	Thousands of Dollars	
	1976	1975
Salaries, wages and commissions	$ 4,465	$3,334
Interest	177	184
Pension and profit-sharing plans	3,368	2,925
Other	3,460	2,729
	$11,470	$9,172

2. For a number of years the Company has paid discretionary bonuses to officers and selected employees. The amounts charged against income aggregated $1,160,000 and $735,000 for the years ended November 30, 1976 and 1975, respectively.

3. 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 19,758 for 1976, 4,188 for 1975, 28,405 for 1973 and 32,954 for 1972.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

for the years ended November 30, 1976 and 1975

Column A	Column B	Column C	Column D	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements	Balance at End of Period
Year ended November 30, 1976:				
Land	$ 1,526,420	$ 5,708	$ 133,861	$ 1,398,267
Land improvements	542,389	53,422	6,304	589,507
Buildings	13,574,565	1,584,639	462,905	14,696,299
Leasehold improvements	2,260,217	93,392	3,575	2,350,034
Machinery and factory equipment	40,607,851	2,913,816	679,784	42,841,883
Tools, patterns, dies, jigs, etc.	7,831,165	1,167,556	318,719	8,680,002
Furniture and fixtures	1,989,519	574,298	89,241	2,474,576
Automobiles and trucks	208,706	21,728	41,832	188,602
Construction in progress	2,759,536	(1,778,063)		981,473
	$71,300,368	$4,636,496	$1,736,221	$74,200,643
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 progress	1,552,863	1,206,673		2,759,536
	$67,085,283	$6,063,517	$1,848,432	$71,300,368

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

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

for the years ended November 30, 1976 and 1975

Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column C Retirements	Column F Balance at End of Period	Estimated Useful Lives
Year ended November 30, 1976:					
Land improvements	$ 261,217	$ 47,018	$ 4,687	$ 303,548	5-20 Yrs.
Buildings	5,008,395	436,337	257,189	5,187,543	20-40 Yrs.
Leasehold improvements	903,524	211,455	3,538	1,111,441	Lease Term
Machinery and factory equipment	15,591,187	2,854,095	616,251	17,829,031	5-32 Yrs.
Tools, patterns, dies, jigs, etc.	4,068,316	1,330,661	305,416	5,093,561	3-10 Yrs.
Furniture and fixtures	1,149,240	194,539	88,130	1,255,649	5-10 Yrs.
Automobiles and trucks	167,532	25,413	42,105	150,840	3-4 Yrs.
	$27,149,411	$5,099,518	$1,317,316	$30,931,613	
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	

Note: Fully depreciated assets are removed annually from the asset and accumulated depreciation accounts of certain divisions.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE XII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

for the years ended November 30, 1976 and 1975

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance End of Period
Year ended November 30, 1976:				
Allowance for doubtful accounts	$810,227	$599,566	$576,148 (A)	$833,645
Year ended November 30, 1975:				
Allowance for doubtful accounts	$995,626	$588,881	$774,280 (A)	$810,227

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

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THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION

for the years ended November 30, 1976 and 1975

Column A Item	Column B Charged to Costs and Expenses
Year ended November 30, 1976:	
Maintenance and repairs	$4,321,426
Depreciation and amortization of property, plant and equipment	$5,099,518
Taxes, other than income taxes:	
Payroll	$5,312,971
Real, personal property and other	2,732,647
Total	$8,045,618
Rents	$3,855,084
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

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 25, 1977 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, No. 2-51467, No. 2-57539 and No. 2-57957 registering under the Securities Act of 1933 Common Shares of The Scott & Fetzer Company.

COOPERS & LYBRAND

Cleveland, Ohio
February 22, 1977

END