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SCOTT & FETZER CO

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DISCLOSURE INC WASHINGTON D. C. 20016

FOR 11/30/82

Quick Reference Chart to Contents of SEC Filings

REPORT CONTENTS	10-K	19-K 20-F	10-Q	8-K	10-C	6-K	Proxy Statement	Prospectus	Registration Statements '34 Act F-10	Registration Statements '34 Act 8-A 8-B	Registration Statements '33 Act "S" Type	ARS	Listing Application	N-1R	N-1Q
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Legend **A** – *always included - included - if occured or significant* **F** – *frequently included* ■ *special circumstances only*

TENDER OFFER/ACQUISITION REPORTS	13D	13 G	14D-1	14D-9	13E-3	13E-4
Name of Issuer (Subject Company)	A	A	A	A	A	A
Filing Person (or Company)	A	A	A	A	A	A
Amount of Shares Owned	A	A				
Percent of Class Outstanding	A	A				
Financial Statements of Bidders			F		F	F
Purpose of Tender Offer			A	A	A	A
Source and Amount of Funds	A		A		A	
Identity and Background Information			A	A	A	
Persons Retained Employed or to be Compensated			A	A	A	A
Exhibits	F		F	F	F	F

5161 River Road □ Washington, D.C. 20016 □ 301/951-1300

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

ORIGINAL
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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, 1982

Commission File Number 1-231

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.)

PROCESSED BY DISCLOSURE INCORPORATED
RECEIVED
FEB 28 1983

SECURITIES AND EXCHANGE COMMISSION
FEE RECEIVED
FEB 25 1983
OFFICE OF REPORTS & INFORMATION SERVICES

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
9-1/4% 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. ___.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of January 31, 1983, excluding, for purposes of this computation, only stock holdings of the registrant's Directors and Officers. $244,392,445

The number of Common Shares outstanding on January 31, 1983, was 6,602,990.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the annual shareholders' report for the year ended November 30, 1982, are incorporated by reference into Parts I and II.

Portions of the annual proxy statement for the year ended November 30, 1982, are incorporated by reference into Part III.

The index to Exhibits is found on page 32 of registrant's Form 10-K Annual Report as filed with the Securities and Exchange Commission.

PART I

ITEM 1. Business

The Scott & Fetzer Company ("Scott Fetzer" or "Company") is a diversified company which manufactures and sells products in the Cleaning Systems & Household Products, Education & Information Systems, Fluid Transmission, Vehicular Products and Energy & Control segments. Two of Scott Fetzer's principal product lines are vacuum cleaners and related accessories primarily for home use sold under the Kirby and other brand names, and encyclopedias and related educational products sold under the World Book name. Scott Fetzer has 16 operating units located in 14 states, 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.

Business Segments

The amount of net sales and other revenue, income before taxes and identifiable assets, for the past three years, attributable to each business segment is set forth in the tables on pages 11 and 12 of the 1982 Annual Report to shareholders of Scott Fetzer. Additional information is noted in footnote 12 on page 17 of the 1982 Annual Report. These tables and footnote are incorporated herein by reference. Segment data for 1980 have been restated to reflect the realignment of operating units initiated in 1981. Scott Fetzer's business segments 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, 1982, no single customer purchased products from the operating units of Scott Fetzer which in the aggregate accounted for more than 10% of total sales from operations for such fiscal year. Scott Fetzer does not believe that the loss of any single customer would have a material adverse effect on its total business.

Cleaning Systems & Household Products

Scott Fetzer manufactures and distributes a wide variety of vacuum cleaners and other floor maintenance equipment and supplies for residential, industrial and institutional use. Scott Fetzer 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. In 1982, Scott Fetzer introduced commercial vacuum cleaners under the ComVac and SuperVac names. Certain other floor maintenance equipment 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 products are sold by the direct sales method in the home through approximately 8,000 independent dealers worldwide, backed by some 942 factory and area distributors. Kirby's sales to distributors are substantially all for cash. Kirby has five major competitors in its consumer market and many more in its commercial market, although none of the latter uses the direct sales method. The commercial products are also sold by the direct sales method to end users and to janitorial supply houses respectively. Kirby's sale prices to consumers are established individually by each authorized dealer; the consumer product prices tend to be somewhat higher than those of the competition, while the commercial product prices generally approximate those of the competition. Service for consumer products is provided by the independent dealers and the factory rebuild department; service for commercial products is provided by the independent dealers and the growing network of authorized service centers. Kirby believes its service to be as good as, or better than, that of the competition. For both product lines, Kirby's warranties generally afford more comprehensive coverage for a longer time than those of the competition. Both consumer and commercial product performance appears equal to, or better than, that of the competition. In fiscal 1982, no one distributor accounted for more than 2% of Kirby 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 13%, 14% and 15% of total revenues from continuing operations of Scott Fetzer for each of the fiscal years 1980 through 1982, respectively.

As of November 30, 1982, United Retail Finance Company, a wholly-owned subsidiary of World Book Finance, Inc., which finances consumer installment accounts for Kirby distributors, had trade receivables with a face amount totalling approximately $33 million. In 1982, the Company established a new wholly-owned finance subsidiary, Scott Fetzer Financial Services Company (SFFS). SFFS has a wholly-owned consolidated subsidiary, United Acceptance Limited, (UAL) which provides funds to finance the installment receivables from customers of the Kirby Group distributors operating in the United Kingdom. As of November 30, 1982, UAL had trade receivables with a face amount totalling approximately $170,000.

In addition to the Kirby products, Scott Fetzer manufactures and sells under the American Lincoln name an extensive line of power-driven industrial and institutional floor maintenance equipment and related supplies including industrial-type polishers, sweepers, wet floor scrubbers, tank-type vacuum cleaners and sweepers ranging in size from limited space vacuum cleaners up to, and including, tractor mounted scrubbers and sweepers. The Company also manufactures roller and flat brushes for vacuum cleaners, polishers and other floor maintenance equipment, replacement vacuum cleaner parts, chemical cleaning products, and vacuum cleaner bags and replacement parts for home vacuum cleaners. In addition to its floor care equipment, Scott Fetzer also manufactures and sells injection molded plastic items, including containers, a household line of cutlery and scissors and sterilized disposable medical supplies. In fiscal 1982, Scott Fetzer also began marketing, through direct sales by independent dealers, the HEALTH/mate, an innovative oral hygiene and skin care appliance.

The Cleaning Systems & Household Products segment primarily serves consumer, institutional, commercial and industrial markets.

Education & Information Systems

Scott Fetzer, through its wholly-owned subsidiary, World Book, Inc., publishes and sells The World Book Encyclopedia, other reference works and education and instruction material primarily under the World Book and Childcraft names. Domestic encyclopedia sales are principally by the direct sales method in the home and to schools and libraries through approximately 8,850 full-and part-time independent commissioned sales representatives. World Book, through subsidiaries and branches having approximately 750 independent commissioned sales representatives, conducts direct selling operations in Canada, Australia, the British Isles and the Caribbean. Though World Book has six major competitors, it remains the dominant firm in this market. Its prices are, generally, lower than those of the competition, yet World Book believes that its customer service program is more extensive and its warranty coverage more comprehensive than those of the competition. World Book also markets, primarily by direct mail, its annual encyclopedia supplements, other publications, insurance and other merchandise through subsidiaries.

A large proportion of encyclopedia sales are made on a deferred consumer credit installment basis. The domestic and Caribbean installment accounts receivable are financed by World Book through its wholly-owned subsidiary, World Book Finance, Inc. At November 30, 1982, the face amount of these receivables totaled approximately $114 million.

In 1982, no one representative accounted for more than 3% of World Book domestic sales. Domestic sales are fairly evenly distributed throughout the country based upon population densities. For fiscal years 1980, 1981, and 1982 sales of World Book products under the World Book and other names accounted for approximately 42%, 40%, and 39%, respectively, of total revenues from operations of Scott Fetzer.

The Education & Information Systems segment primarily serves the consumer, educational and mass merchandiser markets.

Fluid Transmission

Scott Fetzer manufactures a variety of products involving the transmission of fluids, the major items of which are complete, as well as component parts of, air compressors, both reciprocating and single screw; spraying units, including small compressors, for the spraying of paints and other liquids; grey and ductile iron castings; air receivers; compressed gas containers; and high pressure sprayers and washers. These products are sold domestically and abroad by mass merchandisers under private labels by various retail stores under the Campbell Hausfeld brand name and through independent distributors and sales representatives. Campbell Hausfeld has three main competitors in the consumer market, and four in the commercial market. Its prices are fairly comparable to those of the competition, while its service, warranties, and product performance are generally equal to, or better than, those of the competition. For fiscal years 1980 through 1982, sales of complete spraying units and components accounted for approximately 12%, 13%, and 9% respectively, of total sales from operations of Scott Fetzer.

In addition, Scott Fetzer assembles and sells domestically under the Wayne Home Equipment name, power gas and oil burners and water circulating, sump and other pumps. Wayne has twelve major competitors in the pump market, and five in the burner market. Wayne's products are premium-priced; its service, warranties, and product performance appear equal to, or better than, those of the competition. During fiscal 1982, Wayne Home Equipment introduced a new submersible utility pump called the Reliant One and developed a gasoline-powered multi-purpose centrifigal pump called the Porta Pump II, to be marketed in early 1983.

Also within the Fluid Transmission segment, Scott Fetzer manufactures connectors and fittings for compressed gas applications.

The Fluid Transmission segment serves primarily do-it-yourself hardware, home center and mass merchandiser markets, but original equipment and industrial markets represent growing areas of activity.

Vehicular Products

Scott Fetzer manufactures and sells, primarily through independent distributors, utility service truck bodies and related equipment and suspension system components for vehicles. In addition, Scott Fetzer manufactures and markets, primarily through independent distributors, electrical and mechanical winches for marine and other applications; towing equipment, including balls, couplers and other related towing items; fan clutches; oil coolers; antennas for the recreational vehicle market; recreational vehicle awnings; hydraulic cylinders; valves; steering column components for trucks and heavy equipment; and military tank track links. There are a number of companies engaged in manufacturing each class of product within the vehicular products business segment. Scott Fetzer believes it is among the leaders in the manufacture and sale of these products; its pricing is competitive, and its service, warranties and product performance appear to be equal to, or better than, those of the competition.

The Vehicular Products segment primarily serves the recreational vehicle, heavy duty truck, construction, agricultural equipment and military vehicular equipment markets.

In 1982, Scott Fetzer established a new wholly-owned transportation subsidiary, SFZ Transportation, Inc., as a contract motor carrier with pending application to become a licensed common carrier.

Energy & Control

Scott Fetzer is engaged in the manufacture and sale of explosion-proof fittings and junction boxes, motor efficiency control devices, instrument housings and control stations for electrical distribution systems; a specialty line of armored cable connectors, and various other items used principally in connection with high and low voltage electric cables, fittings, couplers and liquid-tight conduit fittings; various precision equipment for use in processing industries for the measurement of pressure, vacuum and flow of liquids; zinc and aluminum die cast electrical fittings; transformers and ballasts for indoor and outdoor electrical signs; ignition systems for residential and industrial oil furnaces, including solid-state control; fractional horsepower motors for electrical appliances and other products; and timing devices for residential and commercial appliances. These products are principally sold by direct factory sales people and independent manufacturer's representatives and distributed to and through original equipment manufacturers and wholesale distributors. There are a number of companies engaged in manufacturing each class of product within the energy and control business segement. Scott Fetzer believes it is among the leaders in the manufacture and sale of these products; its pricing is competitive, and its service, warranties and product performance appear to be equal to, or better than, those of the competition.

Markets for the Energy & Control segment include construction, electrical sign, appliance and oil and gas industries.

Acquisitions and Dispositions

During the last quarter of 1982, Scott Fetzer sold its trailer hitch and manual winch business for cash.

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, non-seasonal, 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 paper, steel, zinc, aluminum, iron, brass and copper, which are purchased 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 been no material disruption of production at any of the Scott Fetzer 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 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 on company-sponsored research and development and on customer-sponsored research activities relating to the development of new products, services or techniques or the improvement of existing products, services or techniques during fiscal years 1982 and 1981 were not material.

Scott Fetzer continues with research and development necessary to develop new products and applications for its various business segments through its Advanced Product Technology Center.

Scott Fetzer uses in its business various trademarks, trade names, patents, trade secrets and licenses. Scott Fetzer does not consider that a material part of its business is dependent on any one group of them, although the Kirby and World Book names are widely known and recognized.

Scott Fetzer's businesses are not generally affected by seasonal sales fluctuations, although World Book's sales tend to increase during February and March because of the sale of annual encyclopedia updates.

Employees

As of January 12, 1983, Scott Fetzer employed in continuing operations 16,129 persons, of whom 12,794 were salaried and 3,335 were hourly. A total of 1,862 hourly employees in 12 of Scott Fetzer's 48 facilities are represented by labor organizations. Scott Fetzer has enjoyed generally good relations with its employees. A total of 642 employees are covered by 3 labor contracts which are scheduled for renegotiation during fiscal 1983.

In addition to employee benefit programs which include 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 pension plans and profit-sharing retirement plans. See Note 9 of the Notes to Financial Statements on page 16 of the 1982 Annual Report to shareholders of the Company, which note is incorporated herein by reference, for information concerning contributions by Scott Fetzer under such plans and other data.

ITEM 2. Properties

The following table sets forth the principal domestic plants and other materially important domestic properties of the Company and its subsidiaries. The leased properties are indicated with an asterisk. The number in parenthesis indicates number of facility locations in each city.

UNITED STATES

State	City	Business Segment	Type
Arkansas	Walnut Ridge* (1)	A	Plant
California	Lodi (2)	E	Plant
	Merced (1)	E	Plant
Colorado	Broomfield* (2)	E	Plant

Connecticut	Shelton* (1)	A/E	Plant
Georgia	Valdosta* (1)	E	Plant
Illinois	Chicago* (2)	B	Office/Warehouse
Indiana	Ft. Wayne (2)	D	Plant
	Kokomo (1)	E	Plant
	Elkhart* (1)	E	Warehouse
Kentucky	Leitchfield (1)	D	Plant
	Shelbyville* (1)	E	Plant
Michigan	Bronson (2)	E	Plant
New York	Watertown (1)	C	Plant
	Watertown* (1)	C	Plant
Ohio	Akron (1)	A	Plant
	Avon Lake (1)	D	Plant
	Bedford Hts.* (1)	C	Plant
	Bowling Green* (1)	A	Plant
	Brookpark* (1)	A	Plant
	Cardington (1)	E	Plant
	Chagrin Falls* (1)	A	Plant
	Cleveland (5)	A/C	Plant
	Cleveland* (2)	A	Plant
	Fremont (1)	A	Plant
	Harrison* (2)	D	Plant
	Harrison (1)	D	Plant
	Lakewood* (1)	F	Office
	Twinsburg* (1)	A	Plant
	Westlake (1)	A	Plant
	Wooster (1)	E	Plant
Oklahoma	Durant* (1)	E	Plant
Tennessee	Fairview (2)	C	Plant
	Livingston (1)	C	Plant
	Portland (1)	A	Plant
	Smithville (1)	C	Plant
Texas	Andrews (1)	A	Plant

(A) Cleaning Systems & Household Products; (B) Education & Information Systems; (C) Energy & Control; (D) Fluid Transmission; (E) Vehicular Products; (F) Corporate Office.

Scott Fetzer believes that its properties have been adequately maintained, are in good condition generally, and are suitable and adequate for its business as presently conducted. The extent of utilization of Scott Fetzer's properties varies among its plants from time to time.

Scott Fetzer's various continuing operations are conducted in 48 facilities in 33 locations in 14 states. Scott Fetzer maintains sales offices and warehouse facilities in various foreign countries and conducts certain manufacturing operations in Whitby, Ontario. 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 are leased, with options to purchase in some cases. For additional information concerning the lease obligations of Scott Fetzer, see Note 7 of the Notes to Financial Statements on

Page 15 of the 1982 Annual Report to shareholders of Scott Fetzer, which note is incorporated herein by reference.

ITEM 3. Legal Proceedings

In October, 1980, and January and August, 1981, respectively, the Attorneys General of Texas, New Mexico and Iowa, commenced civil lawsuits in the Federal District Courts located in those states against the Company, an independent distributor and certain independent divisional supervisors, under state antitrust statutes and under federal antitrust statutes as parens patriae for citizens of their states. These suits allege that the Company, through its Kirby Group operations, has in connection with the sale of Kirby vacuum cleaners and associated products, attempted to restrain trade, fix and maintain prices, boycott unauthorized purchasers, and restrict and allocate customers and territories. Each state has requested that the alleged violations be enjoined, that civil penalties be imposed and that monetary damages, certain of which would be trebled, be assessed. The Company believes that it has not violated the antitrust laws and has meritorious defenses which it will vigorously assert. The ultimate cost to the Company of an unfavorable disposition of these cases is not now determinable. In the opinion of management, the Company does not anticipate that the ultimate disposition of these lawsuits will have a material effect on the consolidated financial position and consolidated results of operations.

ITEM 4. Submission of Matters to a Vote of Security Holders

Proxies for Scott Fetzer's 1982 Annual Meeting were solicited under Regulation 14A of the Securities and Exchange Commission's proxy rules. There was no solicitation in opposition to management's nominees listed in the proxy statement. All management nominees listed in the proxy statement were elected.

Executive Officers of Scott Fetzer

The following is a schedule of names, ages and positions of officers as of February 1, 1983, 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	57	Senior Vice President
John Bebbington has been employed by Scott Fetzer for more than five years in such capacities as Group Vice President (7/19/71 to 9/1/78) and Senior Vice President (9/1/78 to present).		
J. F. Bradley	52	Executive Vice President-Administration & Finance
J. F. Bradley has been employed by Scott Fetzer for more than five years as Executive Vice President-Administration and Finance (3/1/77 to present).		

Gary A. Childress	48	President and Chief Operating Officer

Gary A. Childress has been employed by Scott Fetzer as President and Chief Operating Officer (9/15/82 to present). From 1977 to 1979 he was a Senior Vice President and Chief Operating Officer of National Can Corporation, a manufacturer of metal, glass and plastic containers. From 1979 through 1981, he served as Chairman, President and Chief Executive Officer of the Warner Company, a mineral and solid waste management firm. During 1982, he served as Chief Executive Officer of the Gulf Resources & Chemical Corporation, a mining and oil and gas exploration and production firm.

Kenneth D. Hughes	61	Vice President and Treasurer

Kenneth D. Hughes has been employed by Scott Fetzer for more than five years in such capacities as Treasurer, Controller, Assistant Secretary (1/1/70 to 11/1/78) and Vice President and Treasurer (11/1/78 to present).

Kearney K. Kier	46	Group Vice President

Kearney K. Kier has been employed by Scott Fetzer for the past five years in such capacities as Division President (11/1/76 to 2/1/79) and Group Vice President (2/1/79 to present.)

Walter A. Rajki	57	Senior Vice President

Walter A. Rajki has been employed by Scott Fetzer for more than five years in such capacities as Division President, Group Vice President (6/1/72 to 9/1/78) and Senior Vice President (9/1/78 to present).

Ralph E. Schey	58	Chairman and Chief Executive Officer

Ralph E. Schey has been employed by Scott Fetzer for more than five years in such capacities as President and Chief Executive Officer (12/1/76 to 9/15/82) and Chief Executive Officer (9/15/82 to present).

Kenneth J. Semelsberger	46	Group Vice President

Kenneth J. Semelsberger has been employed by Scott Fetzer for more than five years in such capacities as Division President (2/1/76 to 9/1/78) and Group Vice President (9/1/78 to present).

Robert C. Weber	52	Vice President, General Counsel and Secretary

Robert C. Weber has been employed by Scott Fetzer for more than five years in such capacities as Secretary, General Counsel (12/20/72 to 12/2/80) and Vice President (12/2/80 to present).

PART II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Common Stock Market Price and Dividend Information on page 1 of the Annual Report to shareholders for the year ended November 30, 1982, is incorporated herein by reference. The number of holders of common shares of Scott Fetzer as of January 31, 1983, was 6,239.

ITEM 6. Selected Financial Data

Selected Financial Data on page 1 of the Annual Report to shareholders for the year ended November 30, 1982, is incorporated herein by reference.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 4 and 5 of the Annual Report to shareholders for the year ended November 30, 1982, is incorporated herein by reference.

ITEM 8. Financial Statements and Supplementary Data

The following consolidated financial statements of the registrant and its subsidiaries, included on pages 7 through 18 in the Annual Report to shareholders for the fiscal year ended November 30, 1982, are incorporated herein by reference.

Consolidated Statement of Income for the fiscal years ended November 30, 1982, 1981 and 1980.

Consolidated Balance Sheet as of November 30, 1982 and 1981.

Consolidated Statement of Changes in Financial Position for the fiscal years ended November 30, 1982, 1981 and 1980.

Consolidated Statement of Shareholders' Equity for the fiscal years ended November 30, 1982, 1981 and 1980.

Notes to Consolidated Financial Statments.

ITEM 9. Disagreements on Accounting and Financial Disclosure

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

Information as to the Directors of Scott Fetzer is contained on pages 2 through 4 of Scott Fetzer's definitive Proxy Statement ("Proxy Statement") dated February 18, 1983, which information is incorporated herein by reference.

ITEM 11. Management Remuneration and Transactions

Information under the captions "Remuneration," "Pension Plans," and "Stock Options" on pages 6 through 10 of the Proxy Statement is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The information concerning "Stock Ownership" on page 9 of Scott Fetzer's Proxy Statement is incorporated herein by reference.

PART IV

ITEM 13. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1-2. The response to this portion of Item 13 is submitted as a separate section of this report.

3. Exhibits

(3)(i) Articles of Incorporation (as Amended) previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981 and incorporated herein by reference.

(ii) Regulations previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981 and incorporated herein by reference.

(4)(i) Indenture between The Scott & Fetzer Company and National City Bank dated May 15, 1975, for 30 million dollars of 9-1/4% Notes due May 15, 1985, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981 and incorporated herein by reference.

(ii) Note Agreement between The Scott & Fetzer Company and The Prudential Insurance Company of America for 40 million dollars of 9-1/2% Notes due in equal installments of 2.5 million dollars 1983 through August, 1998, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981 and incorporated herein by reference.

(iii) Note Agreement between World Book Finance, Inc., and The Prudential Insurance Company of America for 50 million dollars of 10% Notes due in installments 1980 through August, 1998, previously submitted as an Exhibit to Registrant's Form 10K Annual Report for 1981 and incorporated herein by reference.

(iv) Note Agreement between World Book Finance, Inc., and The Prudential Insurance Company of America for a 25 million dollar 14-3/4% Note due in equal installments June, 1985, through June, 1989, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981 and incorporated herein by reference.

(v) Term loans aggregating 25 million dollars between World Book Finance, Inc., and National City and Society National Banks of Cleveland at 15-1/4% due August 17, 1985; thereafter the rate will be adjusted to equal the Banks' base rates plus two percent, provided that no time after maturity shall the rate be less than 17-1/4% per annum.

(10)(i) Three-Party Agreement dated June 15, 1981, involving the purchase of land in Westlake, Ohio, for the building of the Corporate offices of The Scott & Fetzer Company previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981 and incorporated herein by reference.

(ii) The Scott & Fetzer Company Stock Option Plan adopted in 1973, as amended in 1977 and 1980, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981 and incorporated herein by reference.

(iii) The Scott & Fetzer Company Stock Option Plan adopted in 1981.

(iv) The Scott & Fetzer Company's Incentive Compensation Program previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981.

(v) Form of Deferred Compensation Agreement between The Scott & Fetzer Company and certain officers, directors and key employees.

(vi) Employment Agreement dated April 7, 1982, between The Scott & Fetzer Company and Mr. Ralph E. Schey.

(vii) Employment Agreement dated September 15, 1982, between The Scott & Fetzer Company and Mr. Gary A. Childress.

(viii) Contingent Compensation Agreements between The Scott & Fetzer Company and Messrs. Schey, Bebbington, Bradley, Kier, Rajki and Semelsberger previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1981.

(ix) Insurance contracts between certain officers and employees of The Scott & Fetzer Company for long-term disability and death benefits.

(13) The Scott & Fetzer Company's 1982 Annual Report to shareholders.

(22) Subsidiaries of The Scott & Fetzer Company.

(b) No reports on Form 8-K have been filed by the Company during the last quarter for the fiscal year ended November 30, 1982.

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 J. F. Bradley

J. F. Bradley
Executive Vice President-
Finance and Administration;
(Principal Financial Officer)
Director

Date FEB 25 1983

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

R. E. Schey
Chairman and Chief Executive Officer
(Principal Executive Officer)
Director

J. F. Bradley
Executive Vice President-
Finance and Administration
(Principal Financial Officer)
Director

G. A. Childress
President and Chief Operating Officer
Director

K. D. Hughes
Vice President and Treasurer
(Principal Accounting Officer)

W. A. Rajki
Senior Vice President
Director

R. W. Bjork
Director

S. H. Fuller
Director

L. C. Jones
Director

J. A. Hughes
Director

R. L. Swiggett
Director

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The consolidated financial statements and the report thereon of Independent Certified Public Accountants appear on pages 6 through 18 of the attached 1982 Annual Report to shareholders, which pages are incorporated by reference in this Form 10-K Annual Report. With the exception of the aforementioned pages, the 1982 Annual Report to shareholders is not deemed filed as part of this report.

The individual financial statements of the registrant are omitted because the registrant is primarily an operating company. All subsidiaries included in the consolidated financial statements filed are wholly-owned subsidiaries.

Schedules other than those listed above are omitted as the information is not required, is either not pertinent or not significant, or because the data is given in the consolidated financial statements or the notes thereto.

Coopers &Lybrand | certified public accountants

REPORT AND CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Our report on the consolidated financial statements of The Scott & Fetzer Company has been incorporated by reference in this Form 10-K from the 1982 annual report to shareholders of The Scott & Fetzer Company and appears on page 6 therein. In connection with our examinations of such financial statements, we have also examined the related financial statement schedules listed in the index on Page F-1 of this Form 10-K.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly the information required to be included therein in conformity with generally accepted accounting principles applied on a consistent basis.

We also consent to the incorporation by reference in the registration statement of The Scott & Fetzer Company on Form S-8 (File No. 2-58431) of our report dated January 25, 1983 on examinations of the consolidated financial statements and financial statement schedules of The Scott & Fetzer Company as of November 30, 1982 and 1981, and for the years ended November 30, 1982, 1981 and 1980, which report is included in this Annual Report on Form 10-K.

Coopers & Lybrand
COOPERS & LYBRAND

Cleveland, Ohio
January 25, 1983

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

for the years ended November 30, 1982, 1981, and 1980

	COLUMN A	COLUMN B	COLUMN C	COLUMN D Deductions		COLUMN E Balance at End of Period	
Year Ended November 30,	Name of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current
1982	Robert H. King	$137,500	---	$50,000	---	$50,000	$ 37,500
1981	Robert H. King	$187,500	---	$50,000	---	$50,000	$ 87,500
1980	Robert H. King	$237,500	---	$50,000	---	$50,000	$137,500

In September, 1979, the Company loaned $250,000 to Robert H. King - Chairman and Chief Executive Officer of World Book, Inc. The money is to be repaid in one of three ways; (a) in 60 installments of $4,166.66 per month, (b) in full 90 days from date of termination, either voluntary or for cause, or (c) 180 days from date of any other termination of employment. The loan is noninterest bearing.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS
November 30, 1982

Column A Name of Issuer of Securities Guaranteed by Person for Which Statement is Filed	Column B Title of Issue of Each Class of Securities Guaranteed	Column C Total Amount Guaranteed and Outstanding	Column F Nature of Guarantee
November 30, 1982 World Book Finance, Inc.			
Short-term notes Field Enterprises International, Inc. (unconsolidated subsidiary of World Book, Inc.)	7.875% notes payable	$ 690,685	Principal

Columns D, E, and G are not presented as the information is not applicable.

At November 30, 1982, The Scott & Fetzer Company and its consolidated subsidiaries maintained guarantees of $4,306,702 for a consolidated foreign subsidiary.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
for the years ended November 30, 1982, 1981, and 1980

Column A	Column B	Column C	Column D	Column E
		Additions		
Description	Balance at Beginning of Period	Charged to costs and expenses	Deductions	Balance End of Period
Year Ended November 30, 1982 Allowance for Doubtful Accounts	$12,022,051	$ 7,788,322	$ 7,265,482 (A)	$12,544,891
Year Ended November 30, 1981 Allowance for Doubtful Accounts	$12,124,043	$ 7,840,030	$ 7,942,022 (A)	$12,022,051
Year Ended November 30, 1980 Allowance for Doubtful Accounts	$10,724,667	$ 8,586,540	$ 7,187,164 (A)	$12,124,043

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

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THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE IX - SHORT-TERM BORROWINGS

for the years ended November 30, 1982, 1981, and 1980

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Outstanding During the Period	Average Amount Outstanding During the Period (A)	Weighted Average Interest Rate During the Period Based on Monthly Average Balances Outstanding
Year Ended November 30, 1982 Amounts Payable to Banks for Borrowings	$4,970,929	16.6%	$8,006,037	$6,006,966	18.3%
Year Ended November 30, 1981 Amounts Payable to Banks for Borrowings	$4,505,626	16.5%	$7,849,418	$6,162,908	16.5%
Year Ended November 30, 1980 Amounts Payable to Banks for Borrowings	$6,884,823	13.0%	$8,547,320	$7,712,148	14.8%

At November 30, 1982, 1981 and 1980, the Company maintained short-term debt balances due only to foreign banks.

(A) The average amount outstanding during the period was computed by dividing the total of month-end outstanding principal balances by 12.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
for the years ended November 30, 1982, 1981, and 1980

Column A Item	Column B Charged to Costs and Expenses
Year Ended November 30, 1982	
Maintenance and Repairs	$ 7,656,002
Advertising	$17,686,891
Year Ended November 30, 1981	
Maintenance and Repairs	$ 8,104,136
Advertising	$12,554,566
Year Ended November 30, 1980	
Maintenance and Repairs	$ 6,214,507
Advertising	$10,660,431

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

REPORT ON EXAMINATION OF CONSOLIDATED FINANCIAL STATEMENTS

for the years ended November 30, 1982 and 1981

Coopers & Lybrand

Certified Public Accountants

Coopers & Lybrand

certified public accountants

222 South Riverside Plaza
Chicago, Illinois 60606

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twx (910) 221-5211
cables Colybrand

in principal areas of the world

To the Board of Directors and Shareholder
World Book Finance, Inc.

We have examined the consolidated balance sheet of World Book Finance, Inc. and its subsidiary at November 30, 1982 and 1981, and the related consolidated statements of income and retained earnings, and changes in financial position for the years ended November 30, 1982, 1981 and 1980. Our examinations were 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 financial statements referred to above present fairly the consolidated financial position of World Book Finance, Inc. and its subsidiary at November 30, 1982 and 1981, and the consolidated results of their operations and changes in their financial position for the years ended November 30, 1982, 1981 and 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Chicago, Illinois
January 25, 1983

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET

November 30, 1982 and 1981

(In Thousands)

ASSETS	1982	1981
Cash	$ 5	$ 1,385
Commercial paper and certificates of deposit	29,850	40,955
Finance receivables, net	101,078	89,518
Due from World Book, Inc.	2,357	
Accrued interest receivable	419	1,575
Prepaid expenses	26	
Furniture and fixtures, net of accumulated depreciation of $12 in 1982 and $6 in 1981	155	64
Total assets	$133,890	$133,497
LIABILITIES		
Current portion of long-term debt	$ 2,625	$ 2,625
Accrued interest and other expenses	3,933	3,189
Distributors' reserves	2,504	1,446
Unearned acquisition fees	524	282
Due to World Book, Inc.		1,697
Long-term debt	89,500	92,125
Total liabilities	99,086	101,364
SHAREHOLDER'S EQUITY		
Common stock - authorized 1,000 shares, without par value, 261 shares issued and outstanding	1	1
Additional capital	26,000	26,000
Retained earnings	8,803	6,132
Total shareholder's equity	34,804	32,133
Total liabilities and shareholder's equity	$133,890	$133,497

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the years ended November 30, 1982, 1981 and 1980

(In Thousands)

	1982	1981	1980
Revenue			
Facilitating fee	$12,102	$ 7,650	$ 8,275
Interest income and acquisition fees	5,337	1,156	44
Investment income	4,989	6,333	3,231
	22,428	15,139	11,550
Expenses			
Provision for credit losses	2,067	322	-
Operating expenses	3,828	2,178	813
Interest expense	11,022	8,426	7,158
	16,917	10,926	7,971
Income before income taxes	5,511	4,213	3,579
Provision for income taxes			
Federal	2,275	1,759	1,528
State and local	565	390	258
	2,840	2,149	1,786
Net income	2,671	2,064	1,793
Beginning retained earnings	6,132	4,068	2,275
Ending retained earnings	$ 8,803	$ 6,132	$ 4,068

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the years ended November 30, 1982, 1981 and 1980

(In Thousands)

	1982	1981	1980
Sources of funds			
From operations			
Net income	$ 2,671	$ 2,064	$ 1,793
Add (deduct) items not requiring funds:			
Increase (decrease) in operations portion of intercompany receivable	(2,142)	1,302	4,067
Decrease (increase) in accrued interest receivable	1,156	(1,298)	(278)
Depreciation	6	6	
Increase (decrease) in accrued interest and other expenses	744	1,911	(175)
Increase in unearned acquisition fees	242	193	89
(Increase) decrease in prepaid expenses	(26)	45	(158)
Total from operations	2,651	4,223	5,338
Decrease (increase) in cash and short-term investments	12,485	(14,292)	(1,590)
Increase in distributors' reserves	1,058	1,242	204
	$16,194	$ (8,827)	$ 3,952
Application of funds			
Increase (decrease) in finance receivables, net	$11,560	$ 13,805	$ (822)
Increase (decrease) in non-operations portion of intercompany receivables	1,912	(327)	2,149
Decrease (increase) in long-term debts	2,625	(22,375)	2,625
Purchase of furniture and fixtures	97	70	
	$16,194	$ (8,827)	$ 3,952

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of World Book Finance, Inc. and its wholly-owned subsidiary, United Retail Finance Company which was organized April 11, 1980. Intercompany balances and transactions have been eliminated.

Relationship with Parent Company - Organization - World Book Finance, Inc. (the Company) is a wholly-owned subsidiary of World Book, Inc. (World Book), which is a wholly-owned subsidiary of The Scott & Fetzer Company (Scott Fetzer). The Company purchases receivables from World Book on a nonrecourse basis under the provisions of an operating agreement, as amended, dated August 31, 1978. The agreement calls for World Book to make facilitating fee payments to the Company as required to cause net earnings available for fixed charges as defined for each accounting period of three months or for each fiscal year to be 1-1/2 times the "fixed charges" for such period.

United Retail Finance Company (United Retail) purchases receivables with recourse, under the provisions of an operating agreement dated June 30, 1981, from the independent-contractor-distributors of the Kirby Group of Scott Fetzer. United Retail is required by this operating agreement to maintain a provision for credit losses of not less than 2% of its finance receivables. These receivables have unearned finance charges and acquisition fees, which are recognized over the term of the receivable on an effective yield basis. The recourse receivables in the financial statements are stated net of the unearned finance charges and provision for credit losses.

Short-Term Investments - Commercial paper and certificates of deposit are carried at cost, which approximates market value. Interest income is recognized as earned.

Contract Reserve - Upon the purchase of nonrecourse receivables, an amount equal to not less than 11% of the receivable balance is withheld, which is credited to a contract reserve. Accounts that are determined to be uncollectible are charged to the reserve. Any amount in the contract reserve at the end of the fiscal year in excess of the sum of 5% of the aggregate amount of all receivables plus certain defined past-due accounts can be remitted to World Book. The non-recourse receivables in the financial statements are stated net of the contract reserve.

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

1. Accounting Policies, continued

Distributors' Reserves - Upon the purchase of recourse receivables, an amount equal to 10% of the gross receivable balance is withheld, which is credited to a distributors' reserve account. Defaulted accounts are charged against this reserve if they are not repurchased by the distributors.

Amounts in the distributors' reserves at the end of each quarter in excess of 15% of a distributor's total receivables, but not less than $5,000, are remitted to that distributor. Under certain circumstances, the entire recourse receivable may not be purchased. Any such amount not purchased is established as an additional deferred payable and is included as a part of distributors' reserves. Such deferred payables are eligible for release to the distributor if the receivable is current at the midpoint in the financing term.

Income Taxes - The Company's taxable income is included in the consolidated tax return of Scott Fetzer. The Federal tax provision is calculated on a separate return basis, without any benefit for the surtax exemption.

Furniture and Fixtures - Furniture and fixtures are stated at cost. Depreciation is charged to operations based on the straight-line method over the useful lives of the assets.

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Finance Receivables

The maturities and an analysis of the amounts deducted from finance receivables at November 30, 1982 and 1981 are as follows (in thousands):

	1982		1981	
	Nonrecourse	Recourse	Nonrecourse	Recourse
Due in one year or less	$ 42,128	$ 6,466	$ 38,555	$ 2,329
Due after one but not more than two years	45,866	26,887	48,950	9,930
Due after two years	25,899		30,073	
Finance receivables	113,893	33,353	117,578	12,259
Contract reserves	(39,850)		(38,333)	
Unearned finance charges		(4,773)		(1,664)
Allowance for credit losses		(1,545)		(322)
Finance receivables, net	74,043	27,035	79,245	10,273
Total nonrecourse and recourse finance receivables, net	$101,078		$89,518	

The change in the contract reserve from December 1, 1980 through November 30, 1982 is as follows (in thousands):

	1982	1981
Balance, beginning of year	$ 38,333	$ 36,378
Amount withheld on purchase of obligations	15,903	17,223
Defaulted obligations	(13,787)	(14,618)
Reserves returned per operating agreement	(599)	(650)
	1,517	1,955
Balance, end of year	$ 39,850	$ 38,333

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

3. Distributor Reserves

The following reflects the changes in the distributor reserves from December 1, 1980 through November 30, 1982 (in thousands):

	1982	1981
Balance, beginning of year	$ 1,446	$ 188
Amounts withheld on purchases	3,873	1,276
Repurchases	(2,752)	(12)
Refunds to distributors	(63)	(6)
Balance, end of year	$ 2,504	$1,446

4. Long-Term Debt

Long-term debt at November 30, 1982 and 1981 consisted of the following (in thousands):

	1982	1981
Promissory notes (10%)	$39,500	$42,125
Promissory note (14.75%)	25,000	25,000
Term loan (8.75%)		25,000
Term loans (15.25%)	25,000	
Total long-term debt	$89,500	$92,125

Under the provisions of the debt agreements, the Company is required to comply with its operating agreements with World Book and the Kirby Group and to meet certain covenants, the major restrictions of which are: 1) net eligible assets as defined will not be less than 110% of total indebtedness (less the aggregate of senior and junior subordinated indebtedness held by World Book or Scott Fetzer); 2) net earnings available for fixed charges will not be less than 150% of fixed charges for any quarter; 3) the senior indebtedness of the Company shall not exceed 400% of shareholders' equity; 4) shareholders' equity will not be less than $25,000,000; 5) the aggregate indebtedness of the Company plus deferred tax obligations shall not exceed 600% of shareholders' equity and 6) the Company will not pay or declare any dividend, redeem, purchase or otherwise acquire any shares of its stock unless the cumulative amount of all such payments does not exceed net earnings subsequent to November 30, 1979. At November 30, 1982 retained earnings in the amount of $6,528,000 were available for the payment of dividends.

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

4. Long-Term Debt, continued

The 10% promissory notes are payable in annual installments of $2,625,000 to 1997, with a final payment of $2,750,000 on August 31, 1998.

The 14.75% promissory note represents financing to be used for the purchase of receivables from qualifying distributors of the Kirby Group of Scott Fetzer. The note is payable in five annual installments of $5,000,000, commencing June 30, 1985.

The 15.25% term loans mature on August 17, 1985. Upon maturity, the interest rate is subject to adjustment on a defined basis, the amount of which is not to be less than 17.25%.

Aggregate maturities of long-term debt during the five-year period November 30, 1983 through November 30, 1987 are $2,625,000, $2,625,000, $32,625,000, $7,625,000 and $7,625,000, respectively.

5. Contingent Liabilities

As of November 30, 1982, the Company has guaranteed $690,685 of debt obligations of Field Enterprises International, Inc., an unconsolidated foreign finance subsidiary of World Book.

6. Reclassifications

Certain amounts reflected in the prior year financial statements have been reclassified to conform to the 1981 presentation.

EXHIBIT INDEX
TO FORM 10-K
THE SCOTT & FETZER COMPANY
For The Fiscal Year Ended
November 30, 1982

A G R E E M E N T

WORLD BOOK FINANCE, INC.

NATIONAL CITY BANK

and

SOCIETY NATIONAL BANK

Dated: August 17, 1982

Term loans aggregating $25,000,000
payable on August 17, 1985

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AGREEMENT

Agreement made as of August 17, 1982 by and among WORLD BOOK FINANCE, INC. ("Borrower"), NATIONAL CITY BANK ("NCB"), and SOCIETY NATIONAL BANK ("SNB") (NCB and SNB hereinafter sometimes referred to individually as "Bank" and collectively as the "Banks"):

1. (CROSS-REFERENCE) Certain terms used in this Agreement are defined in section 10.

2. (TERM LOANS) This Agreement contemplates that each Bank will, upon the terms and subject to the conditions of this Agreement, grant Borrower a term loan.

2.1 (AMOUNTS) The amount of the term loan granted by NCB to Borrower shall be fifteen million dollars ($15,000,000). The amount of the term loan granted by SNB to Borrower shall be ten million dollars ($10,000,000).

2.2 (MATURITY) The term loans shall mature on August 17, 1985, unless either or both of the Banks accelerate the time at which their term loans shall be due and payable in full pursuant to this Agreement.

2.3 (INTEREST) Interest shall accrue and be payable on both of the term loans as follows:

(a) Prior to maturity, interest shall accrue on the principal amount of and any overdue interest on each term loan at the fixed rate of fifteen and one-quarter percent (15-1/4%) per annum.

(b) After maturity, interest shall accrue on the unpaid principal of and any overdue interest

(1) on NCB's term loan at a rate equal to two percent (2%) per annum above NCB's base rate from time to time in effect and

(2) on SNB's term loan at a rate equal to two percent (2%) per annum above SNB's prime rate from time to time in effect,

with each change in NCB's base rate or SNB's prime rate respectively, automatically and immediately changing the rate thereafter applicable to that Bank's term loan, provided that at no time after maturity shall the rate applicable to either term loan be less than seventeen and one-quarter percent (17-1/4%) per annum.

(c) Interest shall be computed on the basis of a 365-day year for the actual number of days elapsed.

(d) Interest shall be paid in arrears by Borrower directly to each Bank beginning on December 1, 1982 and thereafter on the first day of each March, June, September, and December, and at maturity.

2.4 (PREPAYMENT PROHIBITION) No prepayment of the principal of any term loan shall be permitted.

2.5 (TERM NOTES) To evidence the term loans, Borrower shall execute and deliver to NCB a term note in the form and substance of Exhibit A and shall execute and deliver to SNB a term note in the form and substance of Exhibit B.

3. (PRUDENTIAL COVENANTS) Borrower agrees that until the principal of and interest on both of the term loans shall have been paid in full, Borrower will perform and observe, and will cause the Subsidiary to perform and observe their respective obligations under

(a) each provision of paragraphs 5A, 5B, 5D and 5E of each of the Prudential Agreements, provided that each reference to Prudential in these paragraphs shall be deemed to be, for purposes of this Agreement, a reference to both NCB and SNB (thus entitling each Bank to the same rights and privileges afforded to Prudential by such provisions) and all references to a "Default" or an "Event of Default" in paragraph 5A shall be deemed to include "events of default" and "defaults under this Agreement" as those terms are defined in section 10 hereof; and

(b) each provision of paragraphs 6A, 6B, 6C, 6D and 6E in each of the Prudential Agreements,

without regard to any payment in full, satisfaction or other cancellation of any Prudential note and as any such provisions may be affected by any waiver, consent, amendment, supplement or any other modification of any kind by Prudential to, or affecting the provisions of, the Prudential Agreements set forth in subsections (a) and (b) above, provided that, in the case of each such waiver, consent, amendment, supplement or other modification of any kind, Borrower shall have given prior written notice thereof to each Bank and both Banks shall have given written consent or have no reasonable basis for withholding such consent with respect thereto.

4. (OPENING COVENANTS) Prior to or at the execution and delivery of this Agreement Borrower shall have complied or caused compliance with the following:

4.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall have certified to each Bank a copy of resolutions duly adopted by Borrower's board of directors or its Executive Committee in respect of this Agreement and the certificate (if required) referred to in the first sentence of section 5.

4.2 (LEGAL OPINION) Borrower's outside counsel shall have rendered to the Banks their written opinion in respect of the matters referred to in subsections 5.1 and 5.2, which opinion may be subject to such qualifications and exceptions, if any, as shall be satifactory to the Banks.

4.3 (PRUDENTIAL AGREEMENTS) Borrower's secretary or assistant secretary shall have certified to each Bank a true and complete copy of each of the Prudential Agreements.

4.4 (OPERATING AGREEMENTS) Borrower's secretary or assistant secretary shall have certified to each Bank a true and complete copy of each of the First Operating Agreement and the Kirby Operating Agreement.

4.5 (LETTER AGREEMENT) Borrower shall have delivered to each Bank a letter agreement among Borrower, The Scott-Fetzer Company, World Book, Inc., World Book Encyclopedia, Inc., and United Retail Finance Company in respect of the First Operating Agreement and the Kirby Operating Agreement.

5. (WARRANTIES) Subject only to such exceptions, if any, as may be set forth in a certificate delivered to each Bank by Borrower's secretary or assistant secretary prior to the execution and delivery of this Agreement, Borrower represents and warrants as follows:

5.1 (EXISTENCE) Borrower and the Subsidiary are each corporations duly organized and validly existing in good standing under the laws of the State of Delaware. Each company is duly qualified as a foreign corporation in each state or other jurisdiction in which the nature of the business conducted by it makes such qualification necessary or where failure to qualify would have a material adverse effect upon the companies' financial conditions and their ability to transact business.

5.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to obtain the term loans. No registration with or approval of any governmental agency of any kind is required on the part of Borrower for the due execution and delivery or for its performance of this Agreement or the term notes. The officer executing and delivering this Agreement and the term notes on behalf of Borrower has been duly authorized to do so. Neither the execution and delivery of this Agreement and the term notes by Borrower nor the performance and observance of the respective provisions thereof by any company will violate any existing provision in the certificates of incorporation or by-laws of any company or any applicable law or cause any company to violate or otherwise become in default under any contract or other obligation now existing and binding upon it. Upon the execution and delivery thereof, this Agreement and the term notes will each become a valid and binding obligation of Borrower.

5.3 (LITIGATION) No litigation or proceeding is pending against any company before any court or any administrative agency which in the opinion of Borrower's officers might, if successful, have a material, adverse effect on the companies viewed on a consolidated basis.

5.4 (TAXES) Each company has filed all federal, state and local tax returns which are required to be filed by it and paid all taxes due as shown thereon (except to the extent, if any, that any tax is being contested in good faith and by timely and appropriate proceedings). The Internal Revenue Service has not alleged any material default by Borrower in the payment of any tax material in amount or threatened to make any assessment in respect thereof which has not been reflected in the financial statements referred to in subsection 5.8.

5.5 (TITLE) The companies have good and marketable title to their respective real properties, and good title to all of their other respective properties and assets reflected in their consolidated balance sheet as at November 30, 1981 (except for changes resulting from transactions in the ordinary course of business) subject to no lien of any kind except those permitted by paragraph 6C(1) in each of the Prudential Agreements.

5.6 (LAWFUL OPERATIONS) Each company's operations are in substantial compliance with all material requirements imposed by applicable law, whether federal or state.

5.7 (ERISA COMPLIANCE) No material accumulated funding deficiency exists in respect of any of the companies' employee benefit plans. No reportable event has occurred in respect of any such plan which is continuing and which constitutes grounds either for termination of the plan or for court appointment of a trustee for the administration thereof.

5.8 ("NON-PURPOSE" BORROWING) Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying any margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System). No proceeds of the term loans will be used for the purpose of purchasing or carrying any margin stock, to extend credit to others for any such purpose, or to reduce or retire any Indebtedness incurred for any such purpose.

5.9 (FINANCIAL STATEMENTS) Borrower's annual audit report, prepared as at November 30, 1981 and certified by Coopers & Lybrand, and the companies' interim financial statements, prepared as of May 31, 1982, each of which has been heretofore furnished by Borrower to Bank, are true and correct in all material respects (subject, as to interim statements, to routine changes resulting from audits and year-end adjustments) and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods involved, except as noted therein, and fairly present their financial condition as of the respective dates thereof (including a full disclosure of material contingent liabilities, if any, required to be shown in accordance with such accounting principles) and the results of their operations for the respective fiscal periods then ending, all on a consolidated basis. There has been no material adverse change in the financial condition, properties or business of the companies since May 31, 1982, nor has there been any material change in their accounting procedures since November 30, 1981.

5.10 (DEFAULTS) No default under this Agreement exists, nor will any exist immediately after the execution and delivery of this Agreement and the term notes.

6. (EVENTS OF DEFAULT) Each of the following shall constitute an event of default hereunder:

6.1 (PAYMENTS) If Borrower fails to pay fully

(a) any principal of either term note when the same shall become due; or

(b) any interest on either term note when the same shall become due and which remains unpaid for ten (10) days after the due date.

6.2 (WARRANTIES) If any representation, warranty or statement made in this Agreement or any related writing or any other material information furnished by or on behalf of any company to the Banks in writing shall be erroneous in any material respect on the date as of which made.

6.3 (COVENANTS) If any company shall fail or omit to perform and observe any covenant or agreement which it is obligated to perform or observe under the terms of this Agreement (other than those referred to in subsection 6.1) and that failure or omission shall not have been fully corrected within thirty (30) days after the Banks have given written notice to Borrower of such failure or omission.

6.4 (CROSS-DEFAULT) If the maturity of any indebtedness for borrowed money or of any funded indebtedness now owing or hereafter incurred by any company shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such indebtedness or pursuant to which any such indebtedness is issued or assumed; or if any indebtedness which has matured by lapse of time (and not by acceleration) or which was payable on demand shall not have been paid in full within thirty (30) consecutive days after the same became due and payable or after demand for payment was made; provided that this subsection 6.4 shall not apply to any indebtedness of less than two hundred fifty thousand dollars ($250,000).

6.5 (SUBSIDIARY'S SOLVENCY) If (a) Subsidiary shall commence any insolvency action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any insolvency action of any kind commenced against Subsidiary by its creditors or any thereof, or (b) Subsidiary's creditors or any thereof shall commence against Subsidiary any insolvency action of any kind which shall remain in effect (neither dismissed nor stayed) for sixty (60) consecutive days.

6.6 (BORROWER'S SOLVENCY) If (a) Borrower shall discontinue substantially all of its operations, or (b) Borrower shall commence any insolvency action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any insolvency action of any kind commenced against Borrower by its creditors or any thereof, or (c) Borrower's creditors or any thereof shall commence against Borrower any insolvency action of any kind which shall remain in effect (neither dismissed nor stayed) for sixty (60) consecutive days.

7. (BANKS' RIGHTS UPON DEFAULT) Notwithstanding any contrary provision or inference in this Agreement or in any related writing,

7.1 (OPTIONAL DEFAULTS) if any event of default referred to in subsections 6.1 through 6.5, both inclusive, shall occur and be continuing and shall not have been theretofore remedied or waived, NCB and SNB shall each have the right in its sole discretion, by giving written notice to Borrower, to accelerate the maturity of the term notes which shall thereupon become and thereafter be immediately due and payable in full without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived;

7.2 (AUTOMATIC DEFAULTS) if any event of default referred to in subsection 6.6 shall occur, the term notes shall thereupon become and thereafter be immediately due and payable in full, all without any presentment, demand or notice of any kind, all of which are hereby waived;

8. (INTERPRETATION) No course of dealing by either Bank in respect of, nor any omission or delay by either Bank in the exercise of, any right, power or privilege referred to in subsection 7.3 or elsewhere in this Agreement or in any related writing shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof or of any other, as each such right, power or privilege may be exercised either independently or concurrently with others and as often and in such order as such Bank may deem expedient. This Agreement may be amended by written action of the parties and the Banks may from time to time in their discretion grant Borrower waivers and consents in respect of this Agreement or any related writing, but no such waiver or consent shall bind the Banks unless specifically granted by the Banks in writing, which writing shall be strictly construed. Each right, power or privilege specified or referred to in this Agreement or any related writing is in addition to and not in limitation of any other rights, powers and privileges that either Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement and the related writings shall bind and benefit Borrower and each Bank and their respective successors and assigns, including each subsequent holder, if any, of either of the term notes. The several captions to different sections and subsections of this Agreement are inserted for convenience only and shall be ignored in interpreting the provisions thereof. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but which together constitute one agreement. This Agreement and the related writings and the respective rights and obligations of the parties hereto shall be construed in accordance with and governed by Ohio law.

9. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect shall have been delivered to an officer of Borrower or five (5) days after a writing to that effect shall have been deposited in the United States mail and sent, with postage prepaid, by registered or certified mail to Borrower at the address set forth opposite Borrower's signature below (or to such other address as Borrower may hereafter furnish to each Bank in writing for that purpose), irrespective of whether the writing is actually received by Borrower. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to NCB or SNB pursuant to this Agreement shall be delivered to a loan officer at the address set forth opposite such Bank's signature below (or such other address as such Bank may furnish to Borrower in writing for that purpose).

10. (DEFINITIONS) As used in this Agreement and in the related writings,

accumulated funding deficiency shall have the meaning ascribed thereto in section 302(a)(2) of ERISA;

Bank refers to either NCB or SNB, as the case may be; Banks refers to both NCB and SNB;

Borrower means World Book Finance, Inc., a Delaware corporation having its principal place of business in Chicago, Illinois;

company refers to Borrower or to Subsidiary or to both, as the case may be;

default under this Agreement means an event, condition or thing which has occurred or exists that constitutes or which with the lapse of any applicable grace period or the giving of notice or both would constitute an event of default referred to in section 6 and which has not been appropriately waived in writing in accordance with this Agreement or corrected to the Banks' full satisfaction;

employee benefit plan shall have the meaning ascribed thereto in section 3(3) of ERISA and shall mean such a plan of one or more or all of the companies;

ERISA means the Employee Retirement Income Security Act of 1974 as amended from time to time; and in the event of any amendment affecting any section thereof referred to in this Agreement, that reference thereafter shall be a reference to that section as amended, supplemented, replaced or otherwise modified;

event of default is defined in section 6;

First Operating Agreement shall have the same meaning as given to it in paragraph 10AA of the 1981 Prudential Agreement;

funded indebtedness means indebtedness which matures or which (including each renewal or extension, if any, in whole or in part) remains unpaid for more than twelve months after the date originally incurred, it being understood that in the case of any indebtedness payable in installments or evidenced by serial notes or calling for sinking fund payments, those payments maturing within twelve months after the date of determination shall be considered current indebtedness rather than funded indebtedness;

insolvency action means either (a) a pleading of any kind filed by a company to seek relief from its creditors, or filed by that company's creditors or any thereof to seek relief of any kind against that company, in any court or other tribunal pursuant to any law (whether federal, state or other) relating generally to the rights of creditors or the relief of debtors or both, or (b) any other action of any kind commenced by that company or its creditors or any thereof for the purpose of marshalling that company's assets and liabilities for the benefit of its creditors; and "insolvency action" includes (without limitation) a petition commencing a case pursuant to any chapter of the federal bankruptcy code, any application for the appointment of a receiver, trustee, liquidator or custodian for a debtor or any substantial part of its assets, and any assignment by a debtor for the general benefit of its creditors;

Kirby Operating Agreement shall have the same meaning as given to it in paragraph 3G of the 1981 Prudential Agreement;

lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of an agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.);

NCB means National City Bank, a national banking association organized under the laws of the United States and having its main office in Cleveland, Ohio;

NCB's base rate means the fluctuating rate, as in effect at the time in question, that is publicly announced by NCB from time to time in Cleveland, Ohio, as being its base rate thereafter in effect;

overdue interest means interest which at the time in question shall have become due in accordance with the terms of subsection 2.3(d) of this Agreement and which has not been paid;

1981 Prudential Agreement means the Note Agreement between Borrower and Prudential dated June 30, 1981, as in effect on the date of this Agreement;

1978 Prudential Agreement means the Note Agreement between Borrower and Prudential dated August 31, 1978, as amended by a letter from Borrower to Prudential dated June 30, 1981, and in effect on the date of this Agreement;

person means any individual, partnership, joint venture, corporation, trust, estate, or other association or entity, or any governmental unit or agency;

Prudential means The Prudential Insurance Company of America, a New Jersey corporation having its principal office in Newark, New Jersey;

Prudential Agreements means the 1978 Prudential Agreement and the 1981 Prudential Agreement;

Prudential note means any promissory note issued under the 1978 Prudential Agreement or under the 1981 Prudential Agreement;

related writing means any notice, note, financial statement, audit report, request or other writing of any kind which is executed by a company, or certified or signed by one or more of the officers, auditors or counsel of the companies, and is delivered to either Bank pursuant to this Agreement;

reportable event shall be defined in accordance with ERISA;

SNB means Society National Bank, a national banking association organized under the laws of the United States and having its main office in Cleveland, Ohio;

SNB's prime rate means the fluctuating rate, as in effect at the time in question, that is publicly announced by SNB from time to time in Cleveland, Ohio, as being its prime rate thereafter in effect;

<u>Subsidiary</u> shall mean United Retail Finance Company, a Delaware corporation and wholly-owned subsidiary of Borrower;

<u>term loan</u> means the loan made by each Bank under this Agreement; <u>term loans</u> means the term loan made by NCB and the term loan made by SNB;

<u>term note</u> means a promissory note being either in the form of Exhibit A or Exhibit B and executed and delivered by Borrower to NCB or SNB to evidence each Bank's term loan; <u>term notes</u> means the term note executed and delivered to NCB and the term note executed and delivered to SNB;

the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

11. (INVESTMENT PURPOSE) Each Bank represents and warrants to Borrower that it is familiar with the Securities Act of 1933 as amended and that it is not acquiring its term note for the purpose of distribution or resale; <u>provided</u>, that each Bank at all times shall retain full control over the disposition of its assets.

Address:
Suite 500
Merchandise Mart Plaza
Chicago, Illinois 60654

WORLD BOOK FINANCE, INC.

By Robert C. Meler

Title Vice President

Address:
1900 East Ninth Street
Cleveland, Ohio 44114
Attention: Metropolitan Division

NATIONAL CITY BANK

By [illegible]

Title Assistant Vice President

Address:
127 Public Square
Cleveland, Ohio 44114
Attention: Metropolitan Division

SOCIETY NATIONAL BANK

By [illegible]

Title Vice President

TERM NOTE

$15,000,000 Cleveland, Ohio August 17, 1982

On August 17, 1985, the undersigned, WORLD BOOK FINANCE, INC. (a Delaware corporation) for value received promises to pay to the order of NATIONAL CITY BANK ("Bank") at Bank's main office in Cleveland, Ohio, the principal sum of

FIFTEEN MILLION AND NO/100 ---- DOLLARS

together with interest as provided below.

The principal sum of this note shall bear interest payable on December 1, 1982, and on the first day of each March, June, September and December thereafter and at the maturity hereof, and computed on a basis of a 365-day year for the actual number of days elapsed as follows: prior to maturity, at the rate of fifteen and one-quarter percent (15-1/4%) per annum; and after maturity, at a fluctuating rate equal to two percent (2%) per annum above Bank's base rate from time to time in effect, with each change in Bank's base rate automatically and immediately changing the rate thereafter applicable to this note after maturity, provided that in no event after maturity shall this note bear interest at a lesser rate than seventeen and one-quarter percent (17-1/4%) per annum.

No prepayment of the principal sum of this note may be made.

As used in this note, the term "base rate" means the fluctuating rate, as in effect at the time in question, that is publicly announced by Bank from time to time in Cleveland, Ohio, as being its base rate thereafter in effect.

This note is one of the term notes referred to in a certain Agreement of even date herewith by and between Bank and the undersigned, which Agreement contains provisions for the acceleration of the maturity hereof upon the happening of certain events. This note shall be governed by and construed in accordance with Ohio law.

Address:
Suite 500
Merchandise Mart Plaza
Chicago, Illinois 60654

WORLD BOOK FINANCE, INC.

By [signature]

Title VP

TERM NOTE

$10,000,000 Cleveland, Ohio August 17, 1982

On August 17, 1985, the undersigned, WORLD BOOK FINANCE, INC. (a Delaware corporation) for value received promises to pay to the order of SOCIETY NATIONAL BANK ("Bank") at Bank's main office in Cleveland, Ohio, the principal sum of

TEN MILLION AND NO/100 ---- DOLLARS

together with interest as provided below.

The principal sum of this note shall bear interest payable on December 1, 1982, and on the first day of each March, June, September and December thereafter and at the maturity hereof, and computed on a basis of a 365-day year for the actual number of days elapsed as follows: prior to maturity, at the rate of fifteen and one-quarter percent (15-1/4%) per annum; and after maturity, at a fluctuating rate equal to two percent (2%) per annum above Bank's prime rate from time to time in effect with each change in Bank's prime rate automatically and immediately changing the rate thereafter applicable to this note after maturity, provided that in no event after maturity shall this note bear interest at a lesser rate than seventeen and one-quarter percent (17-1/4%) per annum.

No prepayment of the principal sum of this note may be made.

As used in this note, the term "prime rate" means the fluctuating rate, as in effect at the time in question, that is publicly announced by Bank from time to time in Cleveland, Ohio, as being its prime rate thereafter in effect.

This note is one of the term notes referred to in a certain Agreement of even date herewith by and between Bank and the undersigned, which Agreement contains provisions for the acceleration of the maturity hereof upon the happening of certain events. This note shall be governed by and construed in accordance with Ohio law.

Address:
Suite 500
Merchandise Mart Plaza
Chicago, Illinois 60654

WORLD BOOK FINANCE, INC.

By [signature]

Title VP

THE SCOTT & FETZER COMPANY

1981 Stock Option Plan

1. The total number of shares which may be issued and sold under options granted pursuant to this Stock Option Plan shall not exceed 500,000 shares of the Company's Common Stock without par value, except to the extent of adjustments authorized by the last sentence of Paragraph 5 of this Stock Option Plan. Such shares may be treasury shares or shares of original issue or a combination of the foregoing.

2. The Board of Directors of the Company may, from time to time and upon such terms and conditions as it may determine, authorize the granting to officers (including officers who are members of the Board of Directors) and to other key employees of the Company or any of its subsidiaries of options to buy from the Company shares of Common Stock and may fix the number of shares to be covered by each such option, provided, however, that the aggregate fair market value (determined as of the time the option is granted) of the stock for which any employee may be granted options in any calendar year which are intended to qualify as "Incentive Stock Options" under Section 422(A) of the Internal Revenue Code (under all plans of the Company and its parent and subsidiary corporations, if any) shall not exceed $100,000 plus any unused limit carryover to such year (such unused limit carryover to be determined as provide in such Section 422(A)). Successive options may be granted to the same person whether or not the option or options first granted to such person remain unexercised. The Directors may, with the concurrence of the affected optionees, cancel any option granted under this Stock Option Plan and may authorize the granting of a new option or options, to buy from the Company shares of the Company's Common Stock in the same number or a different number as provided by the cancelled option.

3. Options granted under this Stock Option Plan may be (i) options which are intended to qualify under particular provisions of the Internal Revenue Code, as in effect from time to time, (ii) options which are not intended so to qualify under the Internal Revenue Code, or (iii) combinations of the foregoing. No option shall run for more than ten years from the date granted. No option shall be transferable by the optionee otherwise than by will or the laws of descent and distribution.

4. The option price shall not be less than the fair market value of the shares covered by the option at the time the option is granted. The option price shall be payable in cash or, in whole or in part, in shares of the Company's Common Stock valued at fair market value. The Directors may authorize, upon such conditions and limitations as they deem advisable, the surrender of an option, or any portion thereof, granted under this Stock Option Plan and the delivery in exchange therefor of: (a) shares of the Company's Common Stock having the fair market value on the date of surrender equal to the excess of the fair market value at the date of surrender of the shares covered by the option, or portion thereof, surrendered over the aggregate option price of such shares, (b) cash in an amount equivalent to that determined under

clause (a), or (c) partly in cash and partly in shares of the Company's Common Stock as the Directors may determine in their discretion. The Common Shares covered by any option, or portion thereof, surrendered as herein provided shall not be deemed to have been issued and sold under this Stock Option Plan, except, and to the extent of, shares of the Company's Common Stock issued or delivered in respect of such surrender.

5. The Board of Directors may make or provide for such adjustments in the option price and in the number or kind of shares of the Company's Common Stock or other securities covered by outstanding options as such Board in its sole discretion, exercised in good faith, may determine is equitably required to prevent dilution or enlargement of the rights of optionees that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, or (b) any merger, consolidation, separation, reorganization or partial or complete liquidation, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. The Board of Directors may also make or provide for such adjustments in the number or kind of shares of the Company's Common Stock or other securities which may be sold under this Stock Option Plan as such Board in its sole discretion, exercised in good faith, may determine is appropriate to reflect any event of the type described in clause (a) of the preceding sentence.

6. Each Stock Option Agreement shall contain such other terms and conditions not inconsistent herewith as shall be approved by the Board of Directors or by the committee thereof referred to in Paragraph 7 of this Stock Option Plan.

7. This Stock Option Plan shall be administered by the Board of Directors which may from time to time delegate all or any part of its authority under this Stock Option Plan to a committee of not less than three Directors appointed by the Board of Directors. The majority of the committee shall constitute a quorum, and the action of the members of the committee present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the committee. No option shall be granted by the committee to any member of the committee except to the extent specifically authorized by the Board of Directors.

8. This Stock Option Plan may be amended from time to time by the Board of Directors, but without further approval by the shareholders of the Company this Stock Option Plan may not be amended to increase the aggregate number of shares of the Company's Common Stock without par value that may be issued and sold under this Stock Option Plan (except that adjustments authorized by the last sentence of Paragraph 5 shall not be so limited) or change the designation in Paragraph 2 of the class of employees eligible to be granted options.

EXHIBIT (10)(v)

AN EXECUTIVE, UNFUNDED, NONQUALIFIED DEFERRED
COMPENSATION AGREEMENT BETWEEN THE
SCOTT FETZER COMPANY AND

____

This Agreement made as of _____________, 19___, by and between The Scott & Fetzer Company, an Ohio corporation with executive offices at 14600 Detroit Avenue, Lakewood, Ohio 44107 (the "Company"), and ______________ residing at __________________________ ______________ (the "Executive").

Witnesseth That:

In consideration of the premises, and the mutual promises and agreements herein contained the parties hereto agree as follows:

1. As used in this Agreement, the following words and phrases shall have the meanings as indicated:

(a) "Executive's Compensation" - for purposes of this Agreement, Executive's Compensation" shall mean "Annual Base Salary" and "Executive Bonus" as defined immediately herein.

(1) "Annual Base Salary" - The annual rate of salary of Executive in effect at any time, excluding all fringe benefits such as but not limited to, pension, profit sharing, bonuses, group life insurance and supplementary benefits ordinarily available to executives of the Company.

(2) "Executive Bonus" - Added compensation that may be made to an Executive under any Company incentive plan for services rendered during the Company fiscal year.

(b) "Beneficiary" - The individual or entity designated in Schedule B annexed hereto. If the Executive has failed to designate a Beneficiary, or if Executive's designation fails by virtue of the designated Beneficiary predeceasing Executive, then the Beneficiary shall be the Executive's estate.

(c) "Committee" - The Committee appointed by the Chief Executive Officer of the Company to administer this Agreement.

(d) "Deferred Compensation" - The amount of Executive's Compensation deferred pursuant to Paragraph 2 of this Agreement.

(e) "Deferred Compensation Account" - The account described in Paragraph 3 of this Agreement.

(f) "Retirement" - As used in this Agreement, "Retirement" shall have the same meaning as it does under the Company's applicable qualified pension plan.

(g) "Retirement Plan" - The Company's applicable pension plan meeting the requirements for qualification under Section 401(a) of the Internal Revenue Code of 1954, as amended.

2. The Company and Executive agree to irrevocably defer a portion of Executive's Annual Base Salary otherwise payable for services rendered after the date of this Agreement in the amount of $______ per month for the year 19___, and $________ per month for each succeeding year. The Company and Executive further agree to irrevocably defer ___% of any cash Executive Bonus or cash allotment under any incentive compensation plan of the Company for services rendered for Fiscal Year 19__ and ___% for each succeeding year. Executive may amend in writing (using Schedule A for such purposes), no later than the last day of the Calendar Year preceding the Calendar Year in which Executive receives his Annual Base Salary or no later than the last day of the Fiscal Year preceding the Fiscal Year in which the Executive Bonus is accrued by the Company subject to the approval of the Committee. Executive understands that he may elect only to defer compensation prospectively; that is, he can irrevocably defer a portion of future

Annual Base Salary in a stipulated amount per month commencing the first month after the date of this Agreement and he can irrevocably elect to defer all or part of Executive Bonus payable for services after the date of the election to defer said Executive Bonus.

3. (a) The Company shall establish a Deferred Compensation Account for the Executive, which shall be credited with all amounts of Deferred Compensation as of the day such Deferred Compensation would have otherwise been payable.

(b) At the end of each calendar quarter, the balance of such Deferred Compensation Account, shall be credited with earnings, for the period commencing the date on which the Deferred Compensation Account was credited, which earnings shall be equal to an amount derived by applying a percentage rate of return to the account balance as of the last day of each month during the quarter, such percentage rate of return being the higher of the six-month $100,000 Certificate of Deposit rate or the prime rate of National City Bank of Cleveland, in effect on the last day of the quarter.

(c) The value of the Deferred Compensation Account shall be determined in accordance with Paragraph 3 at the time of any payment required by paragraphs 4 or 6 of this Agreement. The determination of the amount of the Deferred Compensation Account shall be made by crediting the balance of the Deferred Compensation Account with all interest which has accrued since the last quarterly adjustment as required by paragraph 3(b). In determining the interest that has accrued since the last quarterly adustment, the last phrase of Paragraph 3(b) should be applied by substituting the word month for quarter. Also any accrual of interest for a period of less than a full month should use the rate in effect on the last day of the previous month. The date of determination shall be a date fixed by the Committee and be no more than thirty (30) days prior to the first payment to be made to the Executive.

(d) The Company shall advise the Executive of the amount credited to his Deferred Compensation Account upon his reasonable request and shall at least annually give the Executive a statement of the amount in such Account.

4. (a) (1) Unless the Executive has elected otherwise in accordance with Paragraph 4(a)(2) of this Agreement, commencing not later than six (6) months following the date that Executive's employment is terminated with the Company, the Company shall pay to Executive compensation consisting of ten (10) annual installments of the unpaid balance of the Deferred Compensation Account, each payment to be determined by multiplying the unpaid balance by a fraction, the numerator of which is one and the denominator of which is the number of installments remaining to be paid.

(2) By election on Schedule A, annexed hereto and made a part of this Agreement, Executive may elect to have such compensation commence at the time he reaches the age specified in Schedule A. If he does so elect, commencing not later than sixty (60) days after Executive reaches the age specified in Schedule A, the Company shall pay to Executive ten (10) annual installments of the unpaid balance of the Deferred Compensation Account, each payment to be determined by multiplying the unpaid balance by a fraction, the numerator of which is one and the denominator of which is the number of installments remaining to be paid.

(3) The Balance in the Deferred Compensation Account, as of the date of Executive's Retirement or termination of employment or death, or date specified in 4(a)(2) shall be vested one hundred percent (100%) to the Executive's Deferred Compensation Account. At the end of each calendar quarter during the ten-year period of distribution of the balance in the Deferred Compensation Account, the undistributed balance shall be credited with earnings, which shall be derived by applying a percentage rate of return to the undistributed balance, such percentage rate of return as indicated in paragraph 3(b) or 3(c) if appropriate.

(4) Executive, before or after the time otherwise fixed for commencement of payments, may request in writing from the Board of Directors earlier or later installments, more or less frequent installments and/or installments of greater or lesser amounts. The Board of Directors, in its sole discretion, after giving full consideration to the Executive's interest will make a determination as to changing the pattern of the distribution, including lump sum distribution if, in its judgment any is to be made, and communicate its decision to the Executive within sixty (60) days.

(5) (A) If Executive dies either before distribution starts or after it has commenced, but has not yet been completed, Beneficiary assumes the place of Executive as to the remaining installments to be paid. However, in the case of the Executive's death, the Committee may be petitioned in writing by the Beneficiary for Committee approval of earlier or later installments, more or less frequent installments and/or installments of greater or lesser amounts. The Committee, in its sole discretion, will decide whether a change in the pattern of distribution, including lump sum distribution, is in the interest of the Beneficiary, and will respond in writing to the petition within sixty (60) days, informing the Beneficiary of its decision and, if it has decided to change the pattern of distribution, informing the Beneficiary of the type of change and when it is to take effect.

(B) If both the Executive and his designated Beneficiary should die before a total of 10 annual payments are made by the Company, then the remaining value of the Deferred Compensation Account shall be determined as of the date of the death of the designated Beneficiary and shall be paid as promptly as possible in one lump sum to the estate of such designated Beneficiary.

(b) For the purposes of this Paragraph 4, Executive shall not be deemed to have terminated his employment if he is transferred from the employ of the Company to the employ of a corporation in which the Company owns more than fifty percent (50%) of the equity interest or one which directly or indirectly has ownership in common with that of the Company of more than fifty percent (50%).

5. Neither Executive nor his Beneficiary shall have any right to commute, sell, assign, transfer, or otherwise convey or encumber the rights to receive any payments hereunder, which payments and all the rights thereto are expressly declared to be nonassignable and nontransferable.

6. The Board of Directors may terminate this Agreement at any time. If the Board terminates this Agreement, the Company in satisfaction of its obligation hereunder, at its option shall:

(a) pay Executive, on the date this Agreement is terminated, an amount equal to the value of his Deferred Compensation Account (as determined in accordance with Paragraph 3 of this Agreement); or

(b) pay Executive, commencing on the date this Agreement is terminated or upon termination of his employment, an amount equal to the value of his Deferred Compensation Account (as determined in accordance with paragraph 3 of this Agreement) valued as of the date this Agreement is terminated in no more than ten (10) annual installments, calculated in the same manner as payments under Paragraph 4(a)(1), with interest on such amount from the date this agreement is terminated to the date of such payment at a rate to be determined in accordance with paragraph 3(b) or 3(c) if appropriate.

7. If Employee, on termination of employment, is entitled to any benefits under the Retirement Plan, the Company shall pay Employee a supplementary benefit (at the same time, and in the same manner, as the benefit to which he is entitled under the Retirement Plan) equal to the excess of the amount computed in (a) below over the amount computed in (b) below:

(a) The benefit to which Employee would have been entitled if his Annual Earnings, as defined in the Retirement Plan, for each year had included all compensation earned in such year which would have been included in his annual earnings if this Agreement were not in effect.

(b) The actual benefit to which he is entitled under the Retirement Plan.

8. Nothing contained in this Agreement and no action taken pursuant to the provisions of this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and the Executive, his designated Beneficiary or any other person. Any funds which may be invested under the provisions of this Agreement shall continue for all purposes to be a part of the general funds of the Company and no person other than the Company shall by virtue of the provisions of this Agreement have any interest in such funds. To the extent that any person acquires a right to receive payments from the Company under this Agreement, such right shall be no greater than the right of any unsecured general creditor of the Company.

9. This Agreement does not constitute a contract for the continued employment of the Executive by the Company. The Company reserves the right to modify Executive's compensation at any time and from time to time as it considers appropriate and to terminate his employment for any reason at any time notwithstanding this Agreement, unless there are restrictions on such termination outside this Agreement.

10. This Agreement may be changed, modified, or amended by written Agreement between the parties.

11. Any notice to Executive hereunder may be given either by delivering it to Executive or by depositing it in the United States mail, postage prepaid, addressed to his last known address. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of any right or power hereunder at one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

12. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any Company which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.

13. This Agreement shall be governed by the laws of the State of Ohio.

14. Executive acknowledges that he has read all parts of this Agreement and has sought and obtained satisfactory answer(s) to any question(s) he had as to his rights, obligations and potential liabilities under this Agreement prior to affixing his signature to any part of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

THE SCOTT FETZER COMPANY

WITNESS

____

By _______________________

____
Executive

Schedule A

Elections in Connection With Deferral of Annual Base Salary and/or Executive Bonus

Section 1. Change in Election as to Compensation to be Deferred.

NOTE: THIS SECTION IS TO BE USED ONLY IF YOU WANT TO MAKE A CHANGE IN THE ELECTION THAT YOU PREVIOUSLY MADE UNDER PARAGRAPH 2 OF THIS AGREEMENT. ANY CHANGE IN ELECTION MUST BE MADE NO LATER THAN THE LAST DAY OF THE CALENDAR YEAR PRECEDING THE CALENDAR YEAR IN WHICH YOU RECEIVE YOUR ANNUAL BASE SALARY OR NO LATER THAN THE LAST DAY OF THE FISCAL YEAR PRECEDING THE FISCAL YEAR IN WHICH YOUR EXECUTIVE BONUS IS ACCRUED BY THE COMPANY.

I hereby elect to irrevocably defer, until my retirement or other termination of employment, $ ______________ a month of my Annual Base Salary, for the 19 __ Calendar Year and $ __________ a month for each succeeding Calendar Year, and further, I elect to irrevocably defer ________% of Executive Bonus for services rendered for the 19__ Fiscal Year and _________% for each succeeding fiscal year.

Section 2. Election as to Commencement of Distribution From Deferred Compensation Account.

I hereby irrevocably elect to have annual installment payments commence:

_______ (a) Six (6) months after cessation of employment,

_______ (b) Within sixty (60) days after reaching the age __, which will occur on ____________________.

December __, 19 __

____
Executive

____
Witness

Schedule B

Designation of Beneficiary(ies)

In the event of my death, I hereby designate the following individuals, in their own right or in their representative capacity, in the proportions and in the priority of interest designated, to be the beneficiaries of any benefits owing to me under the foregoing Executive Unfunded, Nonqualified Deferred Compensation Agreement between The Scott Fetzer Company and myself, dated ______________, 19 __.

PRIMARY BENEFICIARIES - (The following individual or individuals shall receive all benefits payable under this Agreement in the proportions designated hereunder. If any one of the primary beneficiaries designated hereunder shall predecease me, then his or her share shall be divided equally among the then living primary beneficiaries.)

NAME AND PRESENT ADDRESS OF PRIMARY BENEFICIARIES	PROPORTIONATE INTEREST OF PRIMARY BENEFICIARY(IES)	RELATIONSHIP TO EXECUTIVE
______________________	_______%	____________
______________________		
______________________	_______%	____________
______________________		
______________________	_______%	____________
______________________		
______________________	_______%	____________

SECONDARY BENEFICIARIES - (The following individual or individuals shall receive all benefits payable under this Agreement in the proportions designated hereunder only if all of my primary beneficiaries have predeceased me. If the primary beneficiary or beneficiaries have predeceased me and if any one of the secondary beneficiaries designated hereunder shall predecease me, then his or her share shall be divided equally among the then living secondary beneficiaries.)

NAME AND PRESENT ADDRESS OF SECONDARY BENEFICIARIES	PROPORTIONATE INTEREST OF SECONDARY BENEFICIARY(IES)	RELATIONSHIP TO EXECUTIVE
______	______%	______
______	______%	______
______	______%	______
______	______%	______

ESTATE - I hereby acknowledge that if I have declined to designate a beneficiary hereunder or if all of the beneficiaries that I have designated predecease me, then my estate shall be the beneficiary of all benefits payable under the Executive Unfunded, Nonqualified Deferred Compensation Agreement between myself and THE SCOTT FETZER COMPANY dated ______________.

Date: ______________

______________ WITNESS

______________ EXECUTIVE'S SIGNATURE

AGREEMENT

The Scott & Fetzer Company, an Ohio corporation ("Scott Fetzer"), and Ralph Schey ("Schey") hereby agree as of April 7, 1982 as follows:

1. To induce Schey to continue to serve as chief executive officer of Scott Fetzer for the period commencing April 7, 1982 through August 31, 1987,

(a) Scott Fetzer shall pay Schey for his services in that capacity an annual salary of at least $150,000 and shall provide him with such other benefits as may be customary and suitable for a chief executive officer of a company such as Scott Fetzer and at least the equivalent of benefits provided other senior officers of Scott Fetzer;

(b) Scott Fetzer shall pay Schey a retirement benefit in the amount and manner, for the duration, and subject to the conditions provided in paragraphs 3 and 4; and

(c) in the event that Schey's employment as chief executive officer of Scott Fetzer is terminated by Scott Fetzer for any reason, at any time during the aforementioned period ending August 31, 1987, Scott Fetzer shall: (i) continue to compensate Schey at his rate of salary then in effect for the balance of the calendar year in which his employment is terminated, (ii) pay Schey $150,000 per year in periodic installments for each of the five (5) calendar years following the termination year, and (iii) provide Schey the equivalent of all insured benefits made available by Scott Fetzer to Schey at the time his employment is terminated for the full period specified in clauses (i) and (ii).

Payments and benefits pursuant to clauses (i), (ii) and (iii) shall continue only until Schey reaches age 65 at which time he becomes entitled to the retirement benefit enumerated in paragraph 4. Notwithstanding the foregoing, if any of the various events enumerated in paragraph 3 occur during Schey's tenure as chief executive officer of Scott Fetzer, payments and benefits pursuant to clauses (i), (ii) and (iii), shall continue even if beyond age 65.

In the event that Schey's employment is terminated and the payments specified in clauses (i) and (ii) commence, and Schey subsequently dies before all payments have been made, payments pursuant to clauses (i) and (ii) shall cease and no further payments will be made.

In the event that Schey's employment is terminated on a basis that he becomes entitled to payments under Scott Fetzer's disability income plans, such payments shall offset any payment under clause (c) on a dollar-for-dollar basis in the period they are made.

2. For purposes of clause (c) of paragraph 1, Schey's employment shall not be deemed to have been terminated by Scott Fetzer if he voluntarily resigns, voluntarily retires, voluntarily takes another position requiring a substantial portion of his time, or dies.

3. In the event of (a) the change in control of Scott Fetzer, or (b) the signing of any agreement providing (i) for the merger or consolidation of Scott Fetzer into or with another corporation, or (ii) for the sale of substantially all the assets of Scott Fetzer to another corporation, or (iii) for Scott Fetzer to become a subsidiary of another corporation, where the consummation of any such agreement would result in a change of control of Scott Fetzer, any option held by Schey to purchase common shares of Scott Fetzer shall become immediately exercisable notwithstanding any other provisions of any stock option agreement, and, at the election of Schey, any other benefit payable to him in the future shall become immediately payable, including the retirement

benefit contemplated by paragraph 4 actuarially reduced for payment prior to age 65, but excluding any benefit payable from a qualified pension plan unless allowed by its terms, and excluding any benefit subject to a condition other than continued employment, such as a death or disability benefit. Furthermore, if any of the various events enumerated in this paragraph 3 occur during Schey's tenure as chief executive officer of Scott Fetzer and Schey voluntarily leaves the employment of Scott Fetzer (or any successor entity) within three months after such event, Scott Fetzer shall make the payments and fulfill its other obligations described in paragraph 1 notwithstanding any other provisions in this Agreement; provided, however, that if Schey continues in his position as chief executive officer of Scott Fetzer (or any successor entity) beyond such three months, he shall continue to enjoy all the rights provided to him by this Agreement to the extent not theretofore exercised.

4. The retirement benefit referenced in clause (b) of paragraph 1 shall be a life annuity, commencing the first day of the month following the later of Schey's termination of employment with Scott Fetzer (whether because of death or any other reason) or the date on which he reaches or would have reached age 65, based on Schey's length of service at termination of employment as follows:

(a) If Schey has 15 years of service at the time his employment terminates, he shall be entitled to an amount equal to what he would have been entitled to under The Scott & Fetzer Company General Pension Plan ("General Plan") in effect at that time in a straight life form of payment had he terminated employment at age 65 with 25 years of service.

(b) If Schey has less than 15 but 10 or more years of service at the time his employment terminates, he shall be entitled to an amount equal to the amount calculated in (a) above times a percentage equal to (y) divided by (x) where (y) represents his years of service at termination of employment and (x) equals 15 years.

(c) If Schey has less than 10 years of service at the time his employment terminates, he shall be entitled to a straight life annual amount of $100,000.

(d) There shall be deducted from any amounts payable pursuant to (a) or (b) above all amounts payable to Schey pursuant to the provisions of the General Plan. Solely for the purpose of determining the amount to be deducted from the retirement benefit pursuant to (d) above, the same form of payment elected for payment of the retirement benefit hereunder will be assumed for the General Plan benefit.

(e) Schey may designate beneficiaries and make elections with respect to the form and manner of payments made pursuant to either (a), (b) or (c) above in the manner and to the extent such elections are permitted under the General Plan in effect at that time. If an annuity form of payment is elected by Schey, the retirement benefit will be paid monthly.

(f) The amounts in (a), (b) and (c) above represent straight life annuities. However, if Schey does not elect another form of payment (e.g. lump sum or joint and survivor) and dies before 120 monthly payments have been made, the payments will be made to Schey's beneficiary until an aggregate of 120 monthly payments have been made to Schey and his beneficiary. The monthly amount payable to such beneficiary will be equal to the amount payable to Schey pursuant to (a), (b) or (c), less any amounts payable to any beneficiary of Schey under any other benefit plans providing death benefits, whether insured or non-insured, of Scott Fetzer but not including the General

Plan. Schey may designate a beneficiary in writing to Scott Fetzer. If no such designation is made or the designation made is ineffective, Scott Fetzer may make payment to such relative as it may select or to Schey's estate.

(g) Notwithstanding the foregoing, Scott Fetzer is not obligated to set aside funds, maintain a special account, or take any similar action with respect to the obligation under this paragraph 4 to pay a retirement benefit to Schey.

5. During the period that Schey receives compensation, payments or other benefits under this Agreement, Schey shall not: (a) compete with Scott Fetzer in the manufacture, design, sale or distribution of products of the general type manufactured or sold by Scott Fetzer at such time in the areas where Scott Fetzer is doing business, or (b) except as an employee of Scott Fetzer, engage or participate directly or indirectly in the business or businesses then conducted by Scott Fetzer.

6. Any payment or delivery required under this Agreement shall be subject to all requirements of the law with regard to withholding, filing, making of reports and the like, and Scott Fetzer shall use its best efforts to satisfy promptly all such requirements.

7. Any dispute or claim concerning this Agreement or the terms and conditions of employment, including whether such claim is arbitrable, shall be settled by arbitration. The arbitration shall be conducted under the Commercial Arbitration Rules of the American Arbitration Association in effect at the time a demand for arbitration under the rules is made. The decision of the arbitrator, including determination of the amount of any damages suffered, shall be exclusive, final and binding on both Scott Fetzer and Schey, their heirs, executors, administrators, successors, and assigns. If necessary, the decision

of the arbitrator may be entered as a judgment in any court of the State of Ohio or elsewhere.

8. This Agreement supersedes the Agreement of August 10, 1979 and the Deferred Compensaton Agreement of October 23, 1979 between Schey and Scott Fetzer with respect to similar matters. Furthermore, the accounts maintained pursuant to prior deferred compensation agreements will be closed and any funds returned to the general assets of Scott Fetzer. This Agreement shall be binding upon Scott Fetzer and its successors by operation of law or otherwise, and shall inure to the benefit of Schey, or his personal representative and heirs. Neither Schey nor any other person, including any beneficiary described in paragraph 4, shall have any right to make any assignment of any rights under this Agreement without the express consent of the Directors of Scott Feter or a committee thereof having authority to grant such a consent, and any attempt to make such assignment without such consent shall be null, void and of no effect; such rights shall not be subject to garnishment, attachment, execution or levy of any kind.

Executed at Lakewood, Ohio as of the date hereinabove written.

THE SCOTT & FETZER COMPANY

By

Ralph Schey

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is effective the 15th day of September, 1982, between THE SCOTT & FETZER COMPANY, an Ohio corporation (the "Company") and Gary A. Childress (the "Employee").

Section 1. Employment. Upon and subject to the terms and conditions hereinafter set forth, the Company hereby employs the Employee during the term of this Agreement as President and Chief Operating Officer of The Company and assigns him the responsibility for such duties as are generally performed in such a position and such other duties as may from time to time be assigned to him by the Company. The Employee will report to the Chief Executive Officer of the Company and will have such position, authority, duties and responsibility as would normally be associated with such position. The Employee hereby accepts such employment and agrees to devote his full business and professional time and energy to the Company, ("Full-Time Employment") and to perform such duties and responsibilities in an efficient, trustworthy and businesslike manner. Without limiting the generality of the foregoing, the Employee shall not, without the written approval of the Company, render any services of a business, professional, or commercial nature to any other person, firm or corporation, whether for compensation or otherwise, and so doing shall constitute the rendering of less than Full-Time Employment hereunder.

Section 2. Compensation.

2.1 Salary. The Employee shall be entitled to receive from the Company as a fixed salary ("Base Pay") compensation at the rate of $250,000.00 per year, payable in monthly installments of $20,833.34 each. Said annual Base Pay shall be reviewed on November 30, 1983 and 1984 and should any increase be granted it shall be effective January 1, thereafter and shall be related to the performance of the Company and increases granted to other officers of the Company.

2.2 Expenses. The Company shall reimburse the Employee for all authorized and approved expenses incurred and paid by him in the course of the performance of his duties pursuant to this Agreement and consistent with policies and rules of the Company relating to reimbursement of such business expenses. Such expenses shall include membership in The Union Club, Cleveland, Ohio.

2.3 Benefits. The Company will provide fringe and supplemental benefits (such as life and health insurance and sick leave) to the Employee comparable to the benefits customarily provided all other company officers. Employee will be eligible for the benefits customarily provided to employees in the Company's Executive Group A subject only to such changes as may be made from time to time by the Company and effective with respect to all such employees, and will be eligible to participate in the Company's Stock Option Plan. As added incentive to render profitable the activities of the Company, Employee shall be granted options to purchase 10,000 shares of the Company's common stock at its closing price on the New York Stock Exchange on September 21, 1982.

2.4 Bonus. In addition to the annual Base Pay, Employee shall be eligible to receive a bonus ("Bonus") for Company's fiscal years ending November 30, 1982, 1983, 1984 and 1985 ("Bonus Period"). Employee shall receive a bonus for the fiscal year ending November 30, 1982 of no less than $10,417.00, and for the fiscal year ending November 30, 1983 of no less than $50,000.00. The determination of all bonuses shall be based on the formula used for other Company officers.

Should Employee's employment terminate for any reason prior to any of said dates, or should he be rendering less than Full-Time Employment hereunder on any of said dates, Employee shall not be eligible for a Bonus for the fiscal year preceding such date or any portion thereof whatsoever unless mutually agreed to at the time of such termination. In addition to other forms of termination of employment, for the purposes of this Paragraph 2.4 any employment with the Company that is less than Full-Time Employment, as defined in this Agreement, shall constitute a termination of employment hereunder.

2.5 Retirement Compensation. Employee shall participate in The Scott & Fetzer Company General Pension Plan.

Section 3. Term and Termination.

3.1 Employment Term. The term of this Agreement shall commence on September 15, 1982 and unless extended by mutual agreement of the parties hereto, or sooner terminated or cancelled pursuant to Section 3.2 hereof or otherwise hereunder, shall terminate and expire on November 30, 1985.

3.2 Cause, Illness, Incapacity, and Termination Pay. The Employee shall receive full compensation for the services to be performed hereunder during any period of illness or incapacity during the term hereof. However, the Chief Executive Officer of the Company shall have the right to terminate this Agreement immediately by written notice for the following causes:

(a) conduct of the Employee materially detrimental to the Company's reputation or business operations or its ability to secure and renew future contracts; or

(b) gross or habitual neglect of duty or misconduct of the Employee in discharging his duties hereunder; or

(c) prolonged absence from his duties without the consent of the Company; or

(d) failure or refusal of the Employee to faithfully and diligently perform the provisions of this Agreement, policies of the Company, or the usual and customary duties of his employment; or

(e) failure or refusal of the Employee to comply materially with the policies, standards and regulations of the Company as from time to time may be made known to Employee; or

(f) rendering less than Full-Time Employment under this Agreement.

In addition, the Company shall have the right to terminate this Agreement in the event the Employee suffers an illness or incapacity of such character as to substantially disable him from performing his duties hereunder for a period of more than sixty (60) consecutive days in any one year upon giving at least thirty (30) days' written notice of intention to do so. If the Employee shall resume his duties hereunder within thirty (30) days following the receipt of such notice and shall perform such duties for sixty (60) consecutive business days thereafter, this Agreement shall continue in full force or validity. Notwithstanding any other provision of this Agreement, this Agreement forthwith shall terminate upon the death of the Employee.

In addition, the Company may terminate this Agreement at any time, without cause, upon thirty (30) days prior written notice to Employee. Should Employee's employment hereunder be so terminated prior to September 15, 1983, Employee shall be paid an amount equal to his annual Base pay on the date of such termination. Should such termination occur on or after September 15, 1983, Employee shall be paid a sum equal to one and one half times his annual Base pay on the date of such termination. In either case, such amount shall be paid in equal installments monthly on the last day of the month until the final payment which shall be paid on November 30, 1985.

Section 4. Non-Competition.

For a period of two (2) years after the termination of employment of the Employee with the Company (for any reason), the Employee shall not, except with the written consent of the Company:

(a) engage, in the United States, directly or indirectly, in any business or entity which competes with the Company or any of its operating units or subsidiaries: or

(b) engage in any activity or conduct which damages the business or welfare of the Company.

The Employee shall be deemed to be competing with the Company if he shall engage in the businesses described directly or indirectly, whether for his own account or for that of any other person, firm or corporation, and whether as stockholder, principal, agent, investor, proprietor, officer, director, employee or consultant, or in any other capacity, provided, however, that this paragraph shall not be interpreted to prohibit Employee from purchasing securities in any publicly held company for investment purposes.

Section 5. Notice.

Any notice or other communication required or permitted to be given to the parties hereto shall be deemed to have been given on the day personally delivered, or if not so personally delivered, on the third business day following the day on which mailed by certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

(a)(If to the Employee:
Gary A. Childress
The Scott & Fetzer Company
14600 Detroit Avenue
Lakewood, Ohio 44107

(b) If to the Company:
The Scott & Fetzer Company
14600 Detroit Avenue
Lakewood, Ohio 44107
Attention: Ralph Schey,
Chairman

or at such other addresses as the parties hereto may from time to time designate in writing.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Cleveland, Ohio, on the date first above written.

THE SCOTT & FETZER COMPANY

By ______________________
Chairman

And ______________________
Secretary

____
Gary A. Childress

EXHIBIT (10) (ix) 74

DISABILITY BENEFIT AGREEMENT
BETWEEN THE SCOTT & FETZER COMPANY
AND KEY EXECUTIVES

THIS AGREEMENT made as of _______________, by and between the SCOTT & FETZER COMPANY, an Ohio Corporation in behalf of itself and its wholly owned subsidiaries (the "Company"), with executive offices at 14600 Detroit Avenue, Lakewood, Ohio, and ______________________________ (the "Executive") residing at ______________________________ ______________________________.

WHEREAS, it is to the beneficial interest of the stockholders of the Company to retain the services of its key and highly compensated executives; and

WHEREAS, it is to the beneficial interest of these same key and highly compensated executives to secure certain disability benefits.

NOW, THEREFORE, the Company and the Executive have agreed to enter into this Agreement.

1. Definitions. As used in this Agreement, the following words and phrases shall have the meanings indicated:

(a) "Committee" - The Committee appointed by the Chief Executive Officer of the Company to administer this Agreement.

(b) "Total Disability" - Total Disability shall mean the definition of total disability as defined in the disability income insurance policies purchased by the Company on the Executive.

Executive's Initials ___

2. Obligations of the Committee.

(a) The Committee shall be the final arbiter of any question that may arise under this Agreement. The Executive should communicate with the Committee in writing as to any question or petition said Executive should have arising out of this Agreement.

(b) The Committee shall purchase disability income insurance policies on the Executive to fund the obligations of the Company under this Agreement.

(c) Upon reasonable request by the Executive, the Committee shall notify the Executive of the amount of benefits payable under this Agreement. Any disability income insurance policy owned by the Company on the Executive shall be made available to the Executive for review upon reasonable request by the Executive.

3. Benefits Under This Agreement.

(a) Amount of Benefit. In the event that the Executive suffers a Total Disability such that benefits are payable to the Company under any disability income policies owned by the Company on the Executive, the Executive will be entitled to receive a benefit equal to twice the amount payable to the Company under the policies owned by the Company on the Executive except as limited by Paragraph 3(c).

(b) Benefit Payment Frequency. The benefits payable to the Executive by the Company shall be payable when the income is received by the Company from the disability income policies on the Executive owned by the Company.

Executive's Initials ___

(c) Duration of Benefits. Benefits will continue for as long as the Company receives benefits under any disability income policies owned by the Company on the Executive except that no benefit will be payable to the Executive if the Executive is employed by other than the Company even though the Company may still be receiving benefits under the disability income policies owned by the Company on the Executive.

4. Payments Not Transferable. The Executive shall have no right to commute, sell, assign, transfer or otherwise convey or encumber the rights to receive any payments hereunder, which payments and all the rights thereto are expressly declared to be non-assignable.

5. Not a Contract for Continued Employment. This Agreement does not constitute a contract for the continued employment of Executive by the Company. The Company reserves the right to modify Executive's compensation at any time and from time to time as it considers appropriate and to terminate his employment for any reason at any time notwithstanding this Agreement.

6. Termination. The Company, in its sole discretion, may terminate this Agreement at any time by giving written notice to Executive, subject however, to the provision that the Company may not terminate this Agreement for any Executive currently receiving or in the process of applying for benefits under this Agreement.

7. Notice. Any notice given in connection with this Agreement shall be in writing and delivered in person or by depositing it in the United States mail, postage prepaid, addressed to the last-known address.

8. Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any

Executive's Initials ___

waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

9. Effect of Invalidity of Any Part of the Agreement Upon the Whole Agreement. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

10. Consolidation or Merger. Except as otherwise herein provided, this Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.

11. State Laws Governing This Agreement. This Agreement shall be governed by the laws of the State of Ohio.

12. Agreement Supersedes Prior Agreement. This Agreement supersedes all prior agreements, which provide for disability benefits, between the Executive and the Company. Any prior agreements providing disability benefits to the Executive are null and void as of February 1, 1979.

13. Counterparts of This Agreement and Executive Acknowledgment That He Has Read and Understands All Parts of This Agreement. This Agreement has been executed in several counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument. Executive acknowledges that he has read all parts of this Agreement and has sought and obtained satisfactory answer(s) to any question(s) he had as to his rights, obligations and potential liabilities under this Agreement prior to affixing his signature and initials to any part of this Agreement.

Executive's Initials ___

Signatures of the Parties to This Agreement

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

(SEAL)

THE SCOTT & FETZER COMPANY

By________________________

WITNESS

____

____
Executive

Executive's Initials ___

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DEATH BENEFIT AGREEMENT

BETWEEN THE SCOTT & FETZER COMPANY

AND KEY EXECUTIVES

THIS AGREEMENT made as of ________________ by and between THE SCOTT & FETZER COMPANY, an Ohio corporation (the "Company") with executive offices at 14600 Detroit Avenue, Lakewood, Ohio, and
(the "Executive") residing at

WHEREAS, it is to the beneficial interest of the stockholders of the Company to retain the services of its key and highly compensated executives; and

WHEREAS, it is to the beneficial interest of these same key and highly compensated executives to secure certain death benefits,

NOW, THEREFORE, the Company and the Executive have agreed to enter into this Agreement.

1. Definitions. As used in this Agreement, the following words and phrases shall have the meanings indicated:

(a) "Base Salary" -- Base Salary shall mean the Executive's annualized base salary as defined in the most recently effective Schedule A, which is attached hereto and is specifically incorporated into this Agreement and which may, from time to time, be amended by the Company.

(b) "Beneficiary" -- The person or persons designated by Executive on Schedule B, which is attached hereto and is specifically incorporated into this Agreement, to receive any benefits payable by the Company under this Agreement on account of Executive's death. If Executive has failed to designate a Beneficiary, or if Executive's designation fails by virtue of the designated Beneficiary predeceasing Executive, then the Committee shall have the right to designate the Beneficiary of all benefits payable under this Agreement. Solely at the discretion of the Executive,

 Executive's Initials: ___

Schedule B may be amended from time to time. Two copies of the amended Schedule B shall be executed by the Executive. One copy shall be retained by the Executive, and the second copy shall be forwarded to the Company and shall be attached hereto and specifically incorporated into this Agreement.

(c) "Committee" -- The Committee appointed by the Chief Executive Officer of the Company to administer this Agreement.

(d) "Death Benefit" -- Death Benefit shall mean the amount defined in Paragraph 2 or 3.

(e) "Gross Compensation" -- Gross Compensation shall mean the sum of the Executive's annualized base salary as of the Executive's date of death, disability or Retirement plus the amount of the last annual bonus awarded to the Executive.

(f) "Retirement" -- Retirement shall mean an Executive retiring from the employment of the Company under conditions whereby he is entitled to receive pension benefits under the Company's General Pension Plan in the form of an Early Retirement Pension, a Normal Retirement Pension, or a Disability Pension as defined in the Company's General Pension Plan. Retirement shall not mean an Executive retiring under the Company's General Pension Plan who is eligible for and elects a Deferred Vested Pension as defined in the Company's General Pension Plan.

(g) "Accidental Death Benefit" -- Accidental Death Benefit shall mean the amount indicated in the most recently effective Schedule C, which is attached hereto and specifically incorporated into this Agreement.

(h) "Basic Death Benefit" -- Basic Death Benefit shall mean the amount indicated in the most recently effective

 Executive's Initials: ___

Schedule C, which is attached hereto and specifically incorporated into this Agreement.

2. <u>Pre-Retirement Death Benefit</u>.

(a) If death should occur to the Executive due to natural or accidental causes while actively employed by the Company, or while the Executive is disabled and eligible to receive disability benefits under any of the Company's group long-term disability plans, the Company shall pay an annual Death Benefit to the Executive's Beneficiary equal to the Executive's Base Salary, which shall equal the amount of the Base Salary as indicated on the most recently effective Schedule A, which is attached hereto and is specifically incorporated into this Agreement. The Base Salary amount shall be paid to the Beneficiary for a period of years equal to the greater of ten years or the number of years from the date of the Executive's death to the Executive's sixty-fifth birthday.

(b) The payment of the Death Benefit defined in Paragraph 2(a) is subject to the limitations as defined in Paragraph 5.

(c) Solely at the discretion of the Company, the Base Salary amount may be increased from time to time. Any such increase shall be accomplished by completing an amended Schedule A having the effective date and amount of the new Base Salary. Two copies of the amended Schedule A shall be executed by the Company. One copy shall be attached hereto and specifically incorporated into this Agreement. The second copy shall be forwarded to the Executive as notification of the new amount of the Executive's Base Salary for the purpose of computing the Executive's pre-retirement Death Benefit.

 Executive's Initials: ___

3. Post-Retirement Death Benefit.

(a) If at any point in time the Executive enters into the employ of or in any way renders either direct or indirect service to any competitor of the Company or any of the Company's subsidiaries or affiliates without the prior written approval of the Committee, the Executive shall not be eligible for and the Company shall not be liable for any Death Benefit subsequent to his Retirement.

(b) If the Executive enters Retirement prior to his sixty-second birthday, the Company shall not be liable for and the Executive shall not be eligible for the Death Benefit defined in Paragraphs 3(c), 3(d), and 3(e). However, if the Executive retires prior to age sixty-two (62), the Executive may request of the Committee that he be eligible for the Death Benefit as defined in Paragraphs 3(c), 3(d) and 3(e). If the Executive receives written approval from the Committee designating the Executive to be eligible for post-retirement Death Benefits, the Company shall be liable for and the Executive shall be eligible for the Death Benefits as defined in Paragraphs 3(c), 3(d) and 3(e).

(c) In the event of the Executive's death due to natural causes subsequent to his Retirement but prior to the Executive attaining age seventy (70), the Company shall pay a Death Benefit to the Executive's Beneficiary equal to the lesser of two and one-half (2.5) times the Executive's Gross Compensation less fifty thousand ($50,000.00) dollars or the Basic Death Benefit.

(d) In the event of the Executive's death due to accidental causes subsequent to his Retirement but prior to the Executive attaining age seventy (70), the Company shall pay a Death Benefit to the Executive's Beneficiary equal to the lesser

 Executive's Initials: ___

of five (5) times the Executive's Gross Compensation less one hundred thousand ($100,000.00) dollars or the Accidental Death Benefit.

(e) In the event of the Executive's death due to natural or accidental causes subsequent to his Retirement and the attainment of age seventy (70) but prior to his attaining age eighty (80), the Company shall pay a Death Benefit to the Executive's Beneficiary equal to one half (½) of the Death Benefit defined in Paragraph 3(c).

(f) In the event of the Executive's death subsequent to his Retirement and his attaining age eighty (80), the Company shall not be liable for the payment of any Death Benefit under this Agreement.

(g) The payment of the Death Benefit defined in Paragraphs 3(c), 3(d), and 3(e), is subject to the limitations as defined in Paragraphs 3(a), 3(b), and 5.

(h) Solely at the discretion of the Company, the Basic Death Benefit and Accidental Death Benefit may be increased from time to time. Any such increase shall be accomplished by completing an amended Schedule C showing the effective date and amounts of the new Basic Death Benefit and Accidental Death Benefit. Two copies of the amended Schedule C shall be executed by the Company. One copy shall be attached hereto and specifically incorporated into this Agreement. The second copy shall be forwarded to the Executive as notification of the new amount of the Executive's Basic Death Benefit and Accidental Death Benefit for the purpose of computing the Executive's post-retirement Death Benefit.

 Executive's Initials: ___

4. Payment of Death Benefit.

(a) The pre-retirement Death Benefit, as defined in Paragraph 2, shall be payable to the Executive's Beneficiary in quarterly installments commencing not later than six (6) months subsequent to the Executive's date of death.

(b) The applicable post-retirement Death Benefit, as defined in Paragraph 3, shall be payable to the Executive's Beneficiary in forty (40) quarterly installments beginning no later than six (6) months subsequent to the Executive's date of death. Each installment shall equal two and one-half percent (2.5%) of the gross Death Benefit, as defined in Paragraph 3, plus interest. Interest shall be credited to each payment based on the unpaid balance of the gross Death Benefit and shall equal the average quarterly prime rate during the preceding quarter as determined by the Citibank of New York, but shall not be less than one and three-quarters (1.75%) percent.

(c) Executive's Beneficiary may request a change in the timing and/or dollar amount and/or number of benefit payments under this Agreement. Such request shall be in writing and shall be directed to the Committee. The Committee, in its sole discretion, may grant such requests. In the event that the Committee shall grant a request which would accelerate the timing of the payment of the Death Benefit to the Beneficiary, a penalty, in the form of a reduced Death Benefit, may be imposed by the Committee.

5. Limitation on Death Benefits.

(a) The payment of any Death Benefit as defined in Paragraphs 2 and 3 shall be contingent upon evidence of the Executive's death as required by the Committee.

 Executive's Initials: ___

(b) In the event that Executive's death is the result of suicide while the Executive is either sane or insane, the Company shall not be liable for any Death Benefit as defined in Paragraphs 2 and 3. Even though the Company has no contractual obligation to pay any Death Benefit under this Agreement in the event that the Executive's death is due to suicide, the Executive's Beneficiary may petition the Company for the payment of a Death Benefit. Any such petition by Executive's Beneficiary shall be directed to the Committee. The Committee, in its sole discretion, shall determine whether or not the Company will pay any such Death Benefit.

(c) If the Company should terminate this Agreement pursuant to Paragraph 9 hereinbelow, the Company's obligation to pay any benefits under this Agreement shall likewise terminate, provided however, that the Company may not terminate this Agreement subsequent to the Executive's death or in the event that the Executive is disabled and is eligible to receive disability benefits under any of the Company's group long-term disability plans.

6. Obligations of Company. In the performance and administration of this Agreement, the Company shall be under no obligation to purchase any insurance policies or to segregate any assets for Executive's account or benefit. Should the Company purchase any insurance policies, any insurance proceeds, together with any and all assets resulting from any investment (if any) of such amounts or earnings thereon, shall be the property and assets of the Company, and neither Executive nor the Beneficiary shall have any interest therein. The interest of Executive or the Beneficiary is limited to that of a general creditor of the Company and is limited to the rights to receive payments pursuant to the terms of this Agreement.

 Executive's Initials: ___

7. Payments Not Transferable. Neither Executive nor the Beneficiary shall have any right to commute, sell, assign, transfer or otherwise convey or encumber the rights to receive any payments hereunder, which payments and all the rights thereto are expressly declared to be nonassignable.

8. Not a Contract for Continued Employment. This Agreement does not constitute a contract for the continued employment of Executive by the Company. The Company reserves the right to modify Executive's compensation at any time and from time to time as it considers appropriate and to terminate his employment for any reason at any time notwithstanding this Agreement.

9. Termination of Agreement at Company's Discretion. The Company, in its sole discretion, may terminate this Agreement at any time by giving written notice to Executive, subject however, to the provision of Paragraph 5(c) herein.

10. Waiver of Group Life Insurance Benefits. In consideration of the benefits payable under this Agreement, Executive waives participation in and entitlement to any benefits under the Company's group life insurance plans in excess of fifty thousand dollars ($50,000.00) in the event of a natural death and one hundred thousand dollars ($100,000.00) in the event of an accidental death.

11. Function of the Committee. The Committee shall be final arbiter of any question that may arise under this Agreement. Executive or his Beneficiary should communicate with the Committee in writing as to any question or petition said Executive or Beneficiary should have arising out of this Agreement.

12. Notice. Any notice given in connection with this Agreement shall be in writing and delivered in person or by depositing it in the United States mail, postage prepaid, addressed to the last-known address.

 Executive's Initials: ___

13. Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

14. Effect of Invalidity of Any Part of The Agreement Upon The Whole Agreement. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

15. Ability to Amend The Agreement. This Agreement may be changed, modified, or amended only in writing by both parties except for amendments to Schedules A, B, and C. Schedules A and C may be amended solely by the Company as indicated in Paragraphs 2(c) and 3(h). Schedule B may be amended solely by the Executive as indicated in Paragraph 1(b).

16. Consolidation or Merger. Except as otherwise herein provided, this Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any corporation which may acquire all or substantially all of the Company's assets and business or with or into which the Company may be consolidated or merged.

17. State Laws Governing This Agreement. This Agreement shall be governed by the laws of the State of Ohio.

18. Counterparts of This Agreement And Executive Acknowledgment That He Has Read and Understands All Parts of This Agreement. This Agreement has been executed in several counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument. Executive acknowledges that he has read all parts of this Agreement and has sought and obtained satisfactory answer(s) to any questions(s) he had as

to his rights, obligations and potential liabilities under this Agreement prior to affixing his signature and initials to any part of this Agreement.

19. Agreement Supersedes Prior Agreements. Executive acknowledges that this Agreement supersedes any and all prior Estate or Death Benefit Agreement(s) between the Company and the Executive and that any and all prior Estate or Death Benefit Agreements shall become null and void upon the execution of this Agreement.

Signatures of The Parties to This Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

(SEAL) THE SCOTT & FETZER COMPANY

By__________________________

WITNESS:

____

____
Executive

SCHEDULE A

BASE SALARY

Under the Death Benefit Agreement dated ______________________ between THE SCOTT & FETZER COMPANY and the Executive named below, the Executive's Base Salary for the purpose of computing the Pre-Retirement Death Benefit as defined in Paragraph 2 of the Death Benefit Agreement shall be the amount defined below and shall be effective as of the effective date stated below.

Executive:
Base Salary:
Effective Date:

The Base Salary and Effective Date indicated above shall supersede any Base Salary amount previously awarded to the Executive named above under the Death Benefit Agreement dated ____________________, between THE SCOTT & FETZER COMPANY and the Executive named above.

THE SCOTT & FETZER COMPANY

____
Date

By______________________________

SCHEDULE B

DESIGNATION OF BENEFICIARY(IES)

In the event of my death, I hereby designate the following individuals, in their own right or in their representative capacity, in the proportions and in the priority of interest designated, to be the beneficiaries of any benefits owing to me, under the Agreement between myself and THE SCOTT & FETZER COMPANY dated ______________________.

PRIMARY BENEFICIARIES - (The following individual or individuals shall receive all benefits payable under this Agreement in the proportions designated hereunder. If any one of the primary beneficiaries designated hereunder shall predecease me, then his or her share shall be divided equally among the then living primary beneficiaries.)

NAME AND PRESENT ADDRESS OF PRIMARY BENEFICIARIES	PROPORTIONATE INTEREST OF PRIMARY BENEFICIARY(IES)	RELATIONSHIP TO EMPLOYEE
____________________	___%	____________
____________________	___%	____________
____________________	___%	____________
____________________	___%	____________

Executive's Initials: ___

SECONDARY BENEFICIARIES - (The following individual or individuals shall receive all benefits payable under this Agreement in the proportions designated hereunder only if all of my primary beneficiaries have predeceased me. If the primary beneficiary or beneficiaries have predeceased me and if any one of the secondary beneficiaries designated hereunder shall predecease me, then his or her share shall be divided equally among the then living secondary beneficiaries.)

NAME AND PRESENT ADDRESS OF SECONDARY BENEFICIARIES	PROPORTIONATE INTEREST OF SECONDARY BENEFICIARY(IES)	RELATIONSHIP TO EMPLOYEE
______	___%	______
______	___%	______
______	___%	______
______	___%	______

ESTATE - I hereby acknowledge that if I have declined to designate a beneficiary hereunder or if all of the beneficiaries that I have designated predecease me, then all benefits payable under this Agreement will be payable to my estate.

Date: ______________

______________ WITNESS

______________ EXECUTIVE'S SIGNATURE

SCHEDULE C

POST-RETIREMENT DEATH BENEFITS

Under the Death Benefit Agreement dated ______________________, between THE SCOTT & FETZER COMPANY and the Executive named below, the Executive's Basic Death Benefit and Accidental Death Benefit for the purpose of computing the Executive's Post-Retirement Death Benefit as defined in Paragraph 3 of the Death Benefit Agreement, shall be the amounts stated below and shall be effective as of the effective date stated below.

Executive:
Basic Death Benefit:
Accidental Death Benefit:
Effective Date:

The Basic Death Benefit and Accidental Death Benefit amounts stated above shall supersede any Basic Death Benefit and Accidental Death Benefit previously awarded to the Executive named above under the Death Benefit Agreement dated ______________________, between THE SCOTT & FETZER COMPANY and the Executive named above.

THE SCOTT & FETZER COMPANY

By____________________________

____
Date

AMENDMENT No. 1 TO DEATH BENEFIT AGREEMENT

This Amendment to Death Benefit Agreement made as of this ___ day of ______, by and between The Scott & Fetzer Company (the "Company") and ______________________________ (the "Executive").

WHEREAS, Company and Executive entered into a Death Benefit Agreement dated as of ______________, 19____; and

WHEREAS, Company and Executive desire that the Death Benefit Agreement be supplemented and amended as hereinafter set forth;

NOW, THEREFORE, it is mutually agreed by the Company and the Executive that the Death Benefit Agreement is amended as follows:

1. The following paragraph (i) shall be added to paragraph 1 Definitions:

"1. (i) Estate Tax Burden.

"Estate Tax Burden" shall mean the excess, if any, of the amount of the United States and state estate or inheritance taxes imposed upon the Estate or Beneficiaries of the Executive over the amount of such taxes which would have been imposed if the Death Benefit provided by this Agreement had not been included in the Executive's Estate. In the case of an Executive who was married at his death, however, the Estate Tax Burden with respect to the United States federal estate tax shall be the lesser of the following amounts: (a) 34% of the part, if any, of the federal estate tax value of the Death Benefit which is not qualified for the federal estate tax marital deduction; (b) 17% of the total of the Death Benefit as valued for federal estate tax purposes; and (c) the United States estate tax actually payable with respect to the Executive's estate. The Company's determination of the Estate Tax Burden shall be final and conclusive upon the Executive's Estate and Beneficiaries."

2. The following paragraph "5(A) Estate Tax Loan" shall be added immediately following paragraph 5(c):

"5. (A) Estate Tax Loan.

In the event that the beneficiaries of an Executive are entitled to an annual benefit under paragraph 2, then the Company shall loan the Estate of the Executive (or such other person who bears the burden of the estate and inheritance taxes involved) the amount of the Estate Tax Burden at the time the taxes involved become payable, but only upon presentation of sufficient information to compute the Estate Tax Burden. The loan shall be payable in equal installments over the period during which Death Benefit payments are made, without interest, or, at the discretion of the Company, may be withheld from payments which would otherwise be made to the Beneficiary."

In all other respects the Death Benefit Agreement remains in effect and unchanged.

IN WITNESS WHEREOF, Company and Executive have executed this Amendment to Death Benefit Agreement as of the day and year first above written.

THE SCOTT & FETZER COMPANY

By:____________________

Witness as to Executive:

____________________ ____________________
Executive

AMENDMENT NO. 1 TO DEATH BENEFIT AGREEMENT

This Amendment to Death Benefit Agreement made as of this 31st day of January, , 1983, by and between The Scott & Fetzer Company (the "Company") and ______________________________ (the "Executive").

WHEREAS, Company and Executive entered into a Death Benefit Agreement dated as of ______________, 19___; and

WHEREAS, the Company desires to provide to the Estate and Beneficiaries of the Executive the opportunity to obtain an Estate Tax Loan to assist in the payment of estate and inheritance taxes when they become due; and

WHEREAS, the Executive desires to obtain the opportunity for his Estate and Beneficiaries to obtain such a loan; and

WHEREAS, the Company desires to place a ceiling on the amount of the Death Benefit to which the Executive is entitled; and

WHEREAS, the Executive is willing to have such a ceiling placed on the amount of the Death Benefit to which he is entitled; and

WHEREAS, Company and Executive desire that the Death Benefit Agreement be supplemented and amended as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises the parties hereby mutually agree that the Death Benefit Agreement be amended as follows:

1. Paragraph 2(a) Pre-Retirement Death Benefit shall be deleted in its entirety and the following paragraph 2(a) substituted in its place:

> "2(a) If death should occur to the Executive due to natural or accidental causes while actively employed by the Company, or while the Executive is disabled and eligible to receive disability

benefits under any of the Company's group long-term disability plans, the Company shall pay an annual Death Benefit to the Executive's Beneficiary equal to the lesser of, (a) the Executive's Base Salary, which shall be equal to the amount of the Base Salary indicated on the most recently effective Schedule A, which is attached hereto and is specifically incorporated into this Agreement, or (b) the amount of Fifty Thousand Dollars ($50,000.00). Such Death Benefit shall be paid to the Beneficiary for a period of years equal to the greater of (a) ten years or (b) the number of years from the date of the Executive's death to the Executive's sixty-fifth birthday."

2. The following paragraph (i) shall be added to paragraph 1 Definitions:

"1. (i) Estate Tax Burden.

"Estate Tax Burden" shall mean the excess, if any, of the amount of the United States and state estate or inheritance taxes imposed upon the Estate or Beneficiaries of the Executive over the amount of such taxes which would have been imposed if the Death Benefit provided by this Agreement had not been included in the Executive's Estate. In the case of an Executive who was married at his death, however, the Estate Tax Burden with respect to the United States federal estate tax shall be the lesser of the following amounts: (a) 34% of the part, if any, of the federal estate tax value of the Death Benefit which is not qualified for the federal estate tax marital deduction; (b) 17% of the total of the Death Benefit as valued for federal estate tax purposes; and (c) the United States estate tax actually payable with respect to the Executive's estate. The Company's determination of the Estate Tax Burden shall be final and conclusive upon the Executive's Estate and Beneficiaries."

3. The following paragraph "5(A) Estate Tax Loan" shall be added immediately following paragraph 5(c):

"5. (A) Estate Tax Loan.

In the event that the beneficiaries of an Executive are entitled to an annual benefit under paragraph 2, then the Company shall loan the Estate of the Executive (or such other person who bears the burden of the estate and inheritance taxes involved) the amount of the Estate Tax Burden at the time the taxes involved become payable, but only upon presentation of sufficient information to compute the Estate Tax Burden. The loan shall be payable in equal installments over the period during which Death Benefit payments are made, without interest, or, at the discretion of the Company, may be withheld from payments which would otherwise be made to the Beneficiary."

In all other respects the Death Benefit Agreement remains in effect and unchanged.

IN WITNESS WHEREOF, Company and Executive have executed this Amendment to Death Benefit Agreement as of the day and year first above written.

THE SCOTT & FETZER COMPANY

By:____________________

Witness as to Executive:

____________________ ____________________

Executive

About the Company

Scott Fetzer, founded in 1914, is a diversified manufacturer and marketer of high quality products for the home, family and industry. The Company's businesses are divided into five major operating segments: Cleaning Systems & Household Products, Education & Information Systems, Energy & Control, Fluid Transmission, and Vehicular Products.

Headquartered in Lakewood, Ohio, the Company and its subsidiaries employ more than 15,000 persons worldwide. Its decentralized management structure allows each operating unit to operate as a separate business. Marketing is accomplished through direct, in-the-home, mass merchandising, distributor and mail order sales.

The largest and best known among Scott Fetzer's product lines are Kirby home care systems, World Book encyclopedias, Campbell Hausfeld air compressors and Wayne burners and water pumps.

About this Report

As you can see, this is an unusual annual report for Scott Fetzer. It is designed just to tell our shareholders and other interested parties how the Company performed in 1982.

In the next few months, another publication will be issued that will more clearly describe how the Company is being positioned for growth and how it plans to meet the challenges of the future. Together, these two documents will provide a clearer picture of Scott Fetzer's present financial condition and its plans for the future.

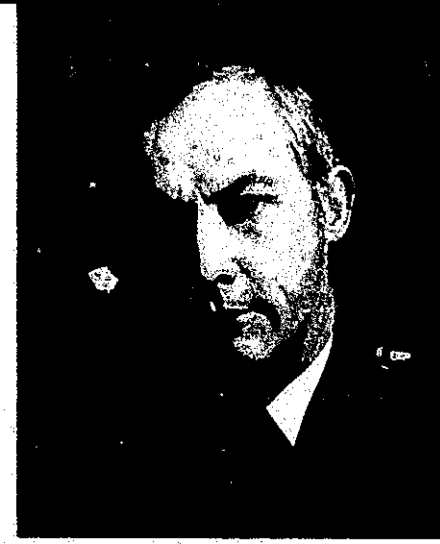
Contents

Selected Financial Data
(Dollars in thousands except per share data)

Fiscal Year Ended November 30	**1982**	1981	1980	1979	1978
OPERATIONS					
Net sales and other revenue	**$600,008**	$656,386	$632,398	$697,401	$478,222
Income before income taxes	**48,112**	56,927	37,338	63,060	60,807
Net income	**27,092**	29,067	23,069	34,096	30,247
Return on net sales and other revenue	**4.5%**	4.4%	3.6%	4.9%	6.3%
PER SHARE DATA					
Earnings	**4.04**	4.01	3.12	4.62	4.11
Dividends paid	**1.80**	1.80	1.80	1.70	1.50
Book value	**29.40**	27.13	25.04	23.76	20.85
Dividends as a percent of net income	**44.6%**	44.9%	57.7%	36.8%	36.5%
Market price range	**36⅜-25½**	30¾-21⅛	25⅜-17¼	30⅞-22	36⅛-23
Price/earnings ratio	**9-6**	8-5	8-6	7-5	9-6
BALANCE SHEET DATA					
Current assets	**252,654**	273,153	263,095	271,268	229,573
Current liabilities	**122,651**	133,104	117,459	128,067	131,036
Working capital	**130,003**	140,049	145,636	143,201	98,537
Current ratio	**2.1**	2.1	2.2	2.1	1.8
Property, plant and equipment, net	**81,970**	82,827	83,609	78,651	62,236
Total assets	**403,790**	405,794	394,043	395,376	337,977
Long-term debt	**72,786**	76,901	79,595	82,346	46,036
Shareholders' equity	**194,085**	184,000	185,079	174,968	153,014
Return on shareholders' equity	**14.0%**	15.8%	12.5%	19.5%	19.8%
YEAR-END DATA					
Shares outstanding (000's)	**6,601**	6,781	7,390	7,364	7,338
Average shares outstanding (000's)	**6,708**	7,252	7,388	7,373	7,354
Number of shareholders of record	**6,393**	7,105	7,937	8,119	8,439
Number of employees	**15,439**	16,618	16,225	17,934	17,425

Common Stock Market Price and Dividend Information

	Market Price of Common Stock				Dividends Per Share	
	1982		1981		**1982**	1981
Fiscal Quarter	**High**	**Low**	High	Low		
First	**$29⅛**	**$27⅛**	$25½	$21⅛	**$.45**	$.45
Second	**30**	**25¾**	30⅛	23⅞	**.45**	.45
Third	**31½**	**25½**	30¾	27⅝	**.45**	.45
Fourth	**36⅜**	**30⅛**	30	24½	**.45**	.45
Closing price on December 31	**$35⅞**		$28½			



Gary A. Childress was elected president and chief operating officer of Scott Fetzer on September 15, 1982. He was previously president and chairman of the board of Warner Company, a firm owned by a venture capital company. Before that, Mr. Childress was president and a director of Dart Industries which was active in a variety of businesses, including Tupperware, a direct selling company.

Dear Shareholder:

In September, 1982, I joined Scott Fetzer as president and chief operating officer. Since that time, I have visited most of the Company's operations, learning about our businesses and meeting with management people in the field. Without exception, I have been impressed by the operating unit managements' dedication and enthusiasm, and believe that with our help, their commitment to growing their individual businesses is one of Scott Fetzer's most valuable assets.

It is the strength of this commitment by our employees that enabled Scott Fetzer to weather the stormy economic climate that battered the financial performance of many companies in 1982. Indeed, the economy had a negative effect on us as well, but it could have been much worse.

In fiscal 1982, consolidated sales and other revenues were $600 million, compared with $656.4 million last year. Net income was $27.1 million in 1982, moderately below the $29.1 million earned in 1981. Earnings per share increased slightly to $4.04 from $4.01 in the prior year.

Obviously, as managers we are not pleased with this performance, and indeed have already taken additional steps to improve profitability in fiscal 1983. On the other hand, it is important to recognize that Scott Fetzer did well compared with most industrial companies.

Operations Review

The EDUCATION & INFORMATION SYSTEMS segment's sales were moderately lower while earnings were substantially higher. The drop in sales reflected lower unit volume at World Book and the absence in 1982 of the Japanese operations which were sold at the end of 1981. These decreases were partially offset by stronger results from the direct response business of World Book.

It is important to note that 1981 earnings were depressed reflecting the provision of additional reserves to cover costs associated with the disposition of the Japanese operations of World Book.

As far as the future is concerned, we are currently looking at several new electronics-related products for World Book that look quite promising, as well as other possibly interesting new ventures.

The CLEANING SYSTEMS & HOUSEHOLD PRODUCTS segment's lower results in 1982 were due to decreased unit volume at Kirby and continuing costs associated with the start-up of two consumer finance companies and a new line of commercial vacuum cleaners. We believe that 1982 was the peak of start-up costs for the finance companies which will offer reliable consumer financing for sales of our Kirby home care systems in the U.S. and the United Kingdom. Many positive steps were completed in 1982 which are expected to help these finance subsidiaries to increase volume to a level that should reach profitability by year-end 1983.

The ENERGY & CONTROL segment's lower sales were due primarily to substantial contraction in the energy, appliance and commercial construction industries. Earnings were affected by decreased volume and start-up costs associated with the new stepper motor development at our Northland division. We believe that given a turnaround in the economy, this segment is in an excellent position to capitalize on opportunities being developed in the energy, appliance and commercial construction industries.

The FLUID TRANSMISSION segment's lower results largely reflected reduced demand for air compressors due to the recession. In 1983, we will continue to emphasize products for the consumer market such as our Power Pal which continues to show good promise.

The VEHICULAR PRODUCTS segment's decreased results were due primarily to a decline in sales of hitches and towing equipment. This was partially offset, however, by increased sales and record earnings by our Carefree of Colorado division which markets products for the recreational vehicle and mobile home markets.

Looking ahead to the challenges of 1983 and beyond, I am excited and very pleased to be part of such a fine company and management group. The prior and present management teams of Scott Fetzer have built an excellent company that is well prepared, in my opinion, to meet the ever-changing nature of today's economy.

In these days of high-cost money we are not highly leveraged, we have an exceptionally strong balance sheet and possess the managerial expertise and financial resources necessary to control our own destiny. The net result is a strong company that provides outstanding opportunities for its employees, high quality products for its customers, and a sound and rewarding return on investment for its shareholders.

Gary A. Childress

GARY A. CHILDRESS
President and
Chief Operating Officer

February 18, 1983

Beyond 1983 — The Challenge to Grow

Ralph Schey

Growth! For years it was something that many people took for granted. But today, it is a subject on which virtually every segment of our society is now focusing its attention. It has, in fact, become a "buzz" word for the 80s.

In 1980 and 1981, inflation was the national "buzz" word. It was deemed the single most important problem facing us at that time. So, as we often do, we felt that if we could just solve inflation, everything else would simply fall into place.

But in 1982, unemployment became a new "buzz" word — even to the extent that many people believed that more inflation was better than more unemployment. However, what many of these people failed to recognize was the fact that there are more Americans working today than there were in 1980. In November, 1980, this country had over 97 million people working. In November, 1982, that number had risen to over 99 million.

The point is that unlike unemployment, growth is much more than a "buzz" word. It is a way of life — not just another temporary phenomenon that will be replaced by another "buzz" word in 1983.

Growth permeates every facet of our personal lives from the womb to the tomb. A child simultaneously grows emotionally, intellectually and physically from the time he or she is an embryo. People continue to grow, sometimes in different directions and at different speeds, throughout their lives. Indeed, without growth, there is no life.

Today, however for the first time in 35 years, we have been shell-shocked by inadequate growth in our national economy. For the first time there is widespread concern and alarm that our children may not enjoy the same growing standard of living that we have.

Such a realization is indeed a sobering thought. And the burden of reversing this trend rests squarely on the shoulders of the private sector of our free enterprise system.

Clearly, mature businesses run by mature managers and founded on mature products that serve mature markets in mature industries will no longer be good enough to survive in the 80s. In fact, "mature" has now become all but synonymous with zero growth. Our challenge is to regain the momentum of economic growth needed to assure Americans the quality of life they have grown to expect.

Scott Fetzer is a fortunate company. We are committed to growth and have the financial and managerial resources to make it happen. In managing and repositioning our businesses over the past several years, we have arduously dedicated ourselves to generating more internal growth, identifying new external opportunities and redirecting our resources from low growth businesses into higher growth opportunities.

For Scott Fetzer the need to grow is not a fad. It is a matter of survival. In today's economic environment, growth is the only way to create the kinds of extraordinary opportunities required to expand, to attract and retain top people and to provide you, our shareholders, with an attractive return on your investment.

A very important step in preparing ourselves for these future opportunities was taken last September when Gary A. Childress joined Scott Fetzer as president and chief operating officer. Gary will focus his attention on growing our principal businesses both internally and externally. This will enable me to concentrate my efforts on developing new opportunities for Scott Fetzer outside our present business activities.

These are exciting and dynamic times. There are massive changes occurring in the world around us creating many new challenges and opportunities for companies ready and able to accept the challenge. We plan to participate and capitalize on these changes in a very material and profitable way.

We have done a lot of homework. We have identified our market areas for future growth and are now adjusting and fine tuning our organization to better meet the challenges and opportunities that these markets offer.

We all know the requirements for growth. But it is companies like Scott Fetzer that can create an environment where the key ingredients of growth — innovation, entrepreneurship and hard work — can be achieved and our goal of succeeding in the 80s can be realized.

Ralph Schey

RALPH SCHEY
Chairman and
Chief Executive Officer

February 18, 1983

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations — 1982 Compared with 1981

Scott Fetzer's consolidated sales and other revenue for 1982 totalled $600 million, compared with $656.4 million in 1981. The lower sales volume for 1982 reflected reduced customer demand due to the continuing economic recession and the sale of World Book's Japan operations.

Net income in 1982 fell 6.8% to $27.1 million from $29.1 million in the prior year. Earnings per share for 1982 were $4.04 per share, up slightly from last year's $4.01 per share.

Earnings per share for 1982 were favorably affected by Scott Fetzer's common share repurchase program which began in May, 1981. Since then the Company has on an unsolicited basis repurchased 790,425 shares for $22.2 million which has been charged to shareholders' equity. The average number of common and common equivalent shares outstanding has decreased 7.5% since November 30, 1981. No shares were purchased during the fourth quarter of 1982.

The moderate decline in net income for 1982 was primarily due to the decrease in sales volume, lower net interest income, and continuing start-up costs associated with two consumer finance subsidiaries, partially offset by a lower effective tax rate. Earnings in 1981 were adversely affected by a special provision for closedown costs associated with World Book's international operations, particularly in Japan. Interest income in 1982 declined to $12.1 million from $16.8 million in 1981 reflecting the overall decrease in interest rates and a lower level of cash as a result of the share repurchase program and increased advances to unconsolidated subsidiaries. The effective income tax rate for 1982 was 43.7% compared with 48.9% for the prior year. The lower tax rate in 1982 resulted primarily from the effect of foreign taxes and increased investment tax and research and development credits. The principal factors that affected net income and earnings per share for 1982 are summarized below:

	Net Income ($000's)	Earnings Per Share
1981 — as reported	$ 29,067	$ 4.01
(Decrease) Increase in 1982 from:		
Operations	(4,013)	(.55)
Interest income, net	(2,633)	(.36)
Lower special provision for international operations	2,028	.28
Income tax changes:		
Effect of foreign taxes	1,647	.23
Investment tax and research & development credits	355	.04
Lower "DISC" export credit	(480)	(.07)
Tax exempt interest	724	.10
Lower state and local income taxes	191	.03
All other	206	.03
Net change	(1,975)	(.27)
Decrease in average number of shares outstanding		.30
1982 — as reported	$ 27,092	$ 4.04

For the fourth quarter of 1982, sales were $141.7 million compared with $163.5 million for the same period in 1981. Net income was $6 million, down from $6.4 million in the year earlier quarter. Earnings per share were 91 cents compared with 94 cents reported in the same period a year ago.

Liquidity and Capital Resources

Liquidity is generally defined as a company's ability to generate cash sufficient to cover its operating needs (including capital expenditures), repay debt, and pay cash dividends to its shareholders. In each of the past three years, Scott Fetzer has generated funds to support these activities entirely from its operations.

Cash and cash equivalents decreased by $16 million in 1982, following a $10.2 million increase in 1981. The decline in cash during 1982 resulted primarily from the investment in and loan to a new wholly-owned finance subsidiary, United Acceptance Limited, the common share repurchase program referred to above, and an investment in tax benefit transfer leases.

Working capital (current assets less current liabilities) was $130 million at year-end 1982, representing a current ratio of 2.1, unchanged from the prior year. Working capital per dollar of sales improved slightly in 1982. Accounts receivable were below the 1981 year-end level and inventories at year-end were slightly higher.

The notes payable on the balance sheet represent the short term debt of foreign subsidiaries, which increased slightly from the prior year-end. The Company has aggregate credit facilities in various foreign countries of $7.9 million.

Long-term debt as a percentage of total capital (including long-term debt) was 27.3% at the end of 1982, a decrease from the 1981 level of 29.5%. Current maturities of $4.6 million will be met by funds provided from operations.

Capital expenditures in 1982 were $11.9 million, only slightly more than the $11.5 million expended in 1981.

Supplemental information regarding the impact of inflation is presented on pages 17 and 18 of this report. Generally, the Company strives to offset cost increases through improved productivity, ongoing cost reduction programs and selling price increases.

Results of Operations — 1981 Compared with 1980

Consolidated sales and other revenue for 1981 totalled $656.4 million, 4% above the prior year total of $632.4 million. Sales volume for 1981 was affected by the economic downturn, the sale of the Streamway division, and the curtailment of World Book's international businesses.

Net income amounted to $29.1 million, 26% above the $23.1 million earned in 1980. Earnings per share increased 29% to $4.01 per share compared with $3.12 per share in 1980.

The increase in net income for 1981 over the prior year was attributable to the 17% improvement in earnings from operations, significantly higher net interest income, and a decrease in special provisions associated with the closedown of some of World Book's international operations. The effective income tax rate was 48.9% compared with 38.2% in 1980. The lower tax rate in 1980 was primarily the result of significant tax credits for worthless stock deductions and the effect of foreign tax credits.

Business Segments — 1982 Compared with 1981

Results by business segment for 1982 and the two prior years are presented on pages 11 and 12 of this report.

Sales and other revenue for 1982 decreased in four of the five business segments, with the most significant decline occurring in the Fluid Transmission segment which was most affected by the recession. Income before taxes was down in all business segments except for Education & Information Systems.

Cleaning Systems & Household Products

Sales in 1982 were $119.6 million compared with $118 million in 1981. Income before taxes was $11.3 million in 1982, a decrease from the $15.5 million in 1981. Results in this category were primarily affected by start-up costs associated with the finance subsidiaries and the introduction of a new line of commercial vacuum cleaners.

Education & Information Systems

Income before taxes in 1982 amounted to $17.4 million, nearly 70% above the $10.3 million reported in 1981. Earnings in 1981 were reduced by provisions for anticipated losses associated with the closedown of World Book's Japan operations. Sales and other revenues declined to $235.6 million compared with $259.8 million in 1981. The decline primarily reflected the absence in 1982 of the sales of the Japan operations, slightly lower domestic and other international sales, partially offset by higher direct response business.

Energy & Control

Sales for 1982 declined 6% to $85.1 million from a record $90.3 million in 1981. Income before taxes was $10.3 million in 1982 compared with $13.2 million in the prior year. Sales volume declined at the Adalet and Halex divisions, while volume at the France and Northland divisions showed moderate increases. Sales were held down by reduced commercial and industrial construction and a drop-off in the mining and oil and gas industries. The earnings decline reflected the drop in sales volume at the Adalet and Halex divisions and substantial new product development costs at the Northland division.

Fluid Transmission

Sales for 1982 were $100.3 million, a decrease of about 20% from the $124.6 million last year. Income before taxes was approximately $7.2 million, about 32% below the $10.6 million earned in 1981. The sales decline primarily occurred at the Campbell Hausfeld division reflecting general economic conditions. Sales for the Wayne division in 1982 were 10% above the 1981 level.

Vehicular Products

Sales declined 7% to $74.8 million in 1982, compared with last year's $80 million. Income before taxes was $10 million in 1982 compared with $10.4 million a year ago. Sales declined for all divisions in this segment with the exception of the Carefree division, which showed a 17% increase over 1981. The Carefree, Douglas, Powerwinch and Stahl divisions reported increased earnings, while the Valley division experienced a sharp earnings decline.

Report of Management

The management of The Scott & Fetzer Company has prepared the consolidated financial statements and related information included in this Annual Report and is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles consistently applied and as such include amounts based on estimates and judgments by management.

Management is also responsible for maintaining a system of internal accounting controls which is designed to provide reasonable assurance at reasonable cost that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with generally accepted accounting principles. The system is supported by written policies and guidelines, by careful selection and training of financial management personnel and by an internal audit staff which coordinates its activities with the Company's independent certified public accountants.

Coopers & Lybrand, independent certified public accountants, are retained to examine the Company's financial statements. Their examination is conducted in accordance with generally accepted auditing standards and provides an independent assessment that helps ensure fair presentation of the Company's financial position, results of operations and changes in financial position.

The Audit Committee of the Board of Directors is composed entirely of outside directors and meets periodically with management, internal auditors and the independent certified public accountants. These meetings include discussions of internal accounting controls and the quality of financial reporting. Financial management, as well as the internal auditors and the independent certified public accountants, have full and free access to the Audit Committee.

R. E. Schey
Chairman and
Chief Executive Officer

J. F. Bradley
Executive Vice President-
Administration and Finance

Report of Independent Certified Public Accountants

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

We have examined the consolidated balance sheet of The Scott & Fetzer Company and subsidiary companies at November 30, 1982 and 1981, and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years ended November 30, 1982, 1981 and 1980. Our examinations were 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 financial statements referred to above present fairly the consolidated financial position of The Scott & Fetzer Company and subsidiary companies at November 30, 1982 and 1981, and the consolidated results of their operations and changes in financial position for the years ended November 30, 1982, 1981 and 1980, in conformity with generally accepted accounting principles applied on a consistent basis. Coopers & Lybrand

Coopers & Lybrand

Cleveland, Ohio
January 25, 1983

Consolidated Statement of Income

The Scott & Fetzer Company and Subsidiary Companies

(Dollars in thousands except per share data)

	Year Ended November 30 1982	1981	1980
NET SALES AND OTHER REVENUE	**$600,008**	$656,386	$632,398
Cost of goods sold	**327,899**	366,691	355,485
Gross profit	**272,109**	289,695	276,913
Selling, general and administrative expenses	**219,916**	235,592	232,321
Operating income	**52,193**	54,103	44,592
Other income (deductions):			
Interest income	**12,132**	16,808	8,119
Interest expense	**(9,644)**	(9,126)	(9,858)
Charges for services of finance subsidiary (Note 4)	**(12,102)**	(7,650)	(8,275)
Income from unconsolidated subsidiaries and joint ventures	**6,690**	4,244	4,434
Other, net	**(1,157)**	(1,452)	(1,674)
	(4,081)	2,824	(7,254)
Income before income taxes	**48,112**	56,927	37,338
Income taxes (Note 10)	**21,020**	27,860	14,269
NET INCOME	**$ 27,092**	$ 29,067	$ 23,069
EARNINGS PER SHARE	**$ 4.04**	$ 4.01	$ 3.12
DIVIDENDS PER SHARE	**$ 1.80**	$ 1.80	$ 1.80
Average number of common and common equivalent shares outstanding (000's)	**6,708**	7,252	7,388

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

Consolidated Balance Sheet

The Scott & Fetzer Company and Subsidiary Companies

(Dollars in thousands except per share data)

	November 30 1982	1981
ASSETS		
Current Assets		
Cash	**$ 2,651**	$ 8,924
Interest-bearing deposits	**46,163**	72,246
Short-term investments	**37,504**	21,179
Receivables (Note 2)	**80,483**	86,117
Inventories (Note 3)	**81,045**	79,611
Prepaid expenses	**4,808**	5,076
TOTAL CURRENT ASSETS	**252,654**	273,153
Investments in and advances to unconsolidated subsidiaries and joint ventures (Note 4)	**56,883**	40,702
Property, plant and equipment (Note 5)	**81,970**	82,827
Excess cost over fair value of assets acquired	**2,625**	2,642
Other assets	**9,658**	6,470
TOTAL ASSETS	**$403,790**	$405,794
LIABILITIES		
Current Liabilities		
Notes payable (Note 6)	**$ 4,971**	$ 4,506
Accounts payable	**31,495**	34,594
Accrued employment costs	**21,472**	24,810
Accrued liabilities	**33,449**	25,979
Income taxes	**6,156**	12,344
Deferred income taxes (Notes 4 & 10)	**20,549**	28,269
Current portion of long-term debt	**4,559**	2,602
TOTAL CURRENT LIABILITIES	**122,651**	133,104
Deferred income taxes (Note 10)	**8,444**	7,480
Other deferred credits	**5,824**	4,309
Long-term debt (Notes 6 & 7)	**72,786**	76,901
TOTAL LIABILITIES	**209,705**	221,794
SHAREHOLDERS' EQUITY		
Serial preference stock		
Authorized 1,000,000 shares without par value; none issued		
Common stock		
Authorized 15,000,000 shares without par value; stated value of outstanding shares: $1.25 per share (Note 8)	**8,251**	8,476
Additional capital	**6,169**	6,316
Retained earnings (Note 6)	**179,665**	169,208
TOTAL SHAREHOLDERS' EQUITY	**194,085**	184,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$403,790**	$405,794

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

Statement of Changes in Financial Position

Company and Subsidiary Companies

ds)

	Year Ended November 30		
	1982	**1981**	**1980**
OPERATIONS			
	$ 27,092	$ 29,067	$ 23,069
not affecting funds:			
on	**10,455**	10,053	9,022
t deferred income taxes	**964**	164	1,768
m unconsolidated subsidiaries and joint ventures	**(3,333)**	(1,451)	(386)
	929	420	594
(used) by changes in certain current assets and liabilities:			
es	**5,634**	(845)	16,422
s	**(1,434)**	534	20,450
penses	**268**	355	293
payable	**(3,099)**	7,083	(9,046)
mployment costs, accrued liabilities and income taxes	**(2,056)**	6,795	2,525
ncome taxes	**(7,720)**	4,702	(3,244)
funds provided from operations	**27,700**	56,927	61,467
OTHER SOURCES, EXCLUDING FINANCING TMENT ACTIVITIES			
disposition of division	**—**	1,800	—
property, plant and equipment, net	**2,305**	1,834	671
er deferred credits	**1,515**	—	147
	17	211	—
	3,837	3,845	818
funds provided before financing and investment activities	**31,537**	60,772	62,285
EXCLUDING FINANCING AND INVESTMENT ACTIVITIES			
operty, plant and equipment	**(11,903)**	(11,457)	(14,651)
s paid	**(11,974)**	(13,003)	(13,302)
ets of division sold	**—**	(1,684)	—
	(75)	(269)	(90)
funds used before financing and investment activities	**(23,952)**	(26,413)	(28,043)
ROVIDED BEFORE FINANCING AND NT ACTIVITIES	**7,585**	34,359	34,242
DED FROM (USED IN) FINANCING AND NT ACTIVITIES			
current maturities of long-term debt	**(2,158)**	(3,250)	(2,010)
n stock under stock options	**22**	—	344
ease) in short-term debt	**465**	(2,379)	(1,584)
easury shares	**(5,055)**	(17,143)	—
tax leases net of current benefit	**(3,367)**	—	—
and advances to unconsolidated and joint ventures	**(13,523)**	(1,435)	(2,000)
funds used in financing and investment activities	**(23,616)**	(24,207)	(5,250)
IN CASH AND CASH EQUIVALENTS	**$(16,031)**	$ 10,152	$ 28,992

notes are an integral part of the financial statements.

Consolidated Statement of Shareholders' Equity

The Scott & Fetzer Company and Subsidiary Companies

(Dollars in thousands except per share data)

	Common Shares		Treasury Shares*		Additional Capital	Retained Earnings	Total
	Number	Dollars	Number	Dollars			
Balances at November 30, 1979	7,576,924	$9,471	212,771	$ (266)	$6,573	$159,190	$174,968
Net income						23,069	23,069
Shares issued under stock option plan (Note 8)			(25,900)	33	311		344
Cash dividends — $1.80 per share						(13,302)	(13,302)
Balances at November 30, 1980	7,576,924	9,471	186,871	(233)	6,884	168,957	185,079
Net income						29,067	29,067
Purchases of treasury shares			609,525	(762)	(568)	(15,813)	(17,143)
Cash dividends — $1.80 per share						(13,003)	(13,003)
Balances at November 30, 1981	7,576,924	9,471	796,396	(995)	6,316	169,208	184,000
Net income						27,092	27,092
Shares issued under stock option plan (Note 8)			(1,000)	1	21		22
Purchases of treasury shares			180,900	(226)	(168)	(4,661)	(5,055)
Cash dividends — $1.80 per share						(11,974)	(11,974)
Balances at November 30, 1982	7,576,924	$9,471	976,296	$(1,220)	$6,169	$179,665	$194,085

*Treasury shares are carried at stated value.

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

Business Segment Information by Industry
The Scott & Fetzer Company and Subsidiary Companies

(Dollars in thousands)

	Year Ended November 30 1982	1981	1980
NET SALES AND OTHER REVENUE			
Cleaning Systems & Household Products	**$119,583**	$118,020	$110,583
Education & Information Systems	**235,559**	259,801	262,965
Energy & Control	**85,055**	90,324	79,390
Fluid Transmission	**100,310**	124,646	116,428
Vehicular Products	**74,791**	80,024	73,259
Intersegment Sales	**(15,290)**	(16,429)	(10,227)
	$600,008	$656,386	$632,398
INCOME BEFORE INCOME TAXES			
Cleaning Systems & Household Products	**$ 14,547**	$ 16,951	$ 15,394
Unconsolidated Finance Subsidiaries	**(3,226)**	(1,486)	(192)
	11,321	15,465	15,202
Education & Information Systems	**10,107**	5,898	2,742
Unconsolidated Finance Subsidiaries and Joint Ventures	**7,316**	4,370	3,823
	17,423	10,268	6,565
Energy & Control	**10,300**	13,156	11,802
Fluid Transmission	**7,170**	10,557	4,016
Vehicular Products	**9,969**	10,446	8,836
Operating Earnings	**56,183**	59,892	46,421
Corporate Expenses and Net Interest	**(8,071)**	(2,965)	(9,083)
	$ 48,112	$ 56,927	$ 37,338
IDENTIFIABLE ASSETS			
Cleaning Systems & Household Products	**$ 41,534**	$ 45,631	$ 39,741
Unconsolidated Finance Subsidiaries	**15,250**	(905)	(103)
	56,784	44,726	39,638
Education & Information Systems	**107,276**	112,304	108,103
Unconsolidated Finance Subsidiaries and Joint Ventures	**29,506**	31,374	28,747
	136,782	143,678	136,850
Energy & Control	**37,000**	37,513	33,345
Fluid Transmission	**62,055**	63,283	67,646
Vehicular Products	**31,939**	34,455	28,605
Corporate and Other	**79,230**	82,139	87,959
	$403,790	$405,794	$394,043

Business Segment Information by Industry (continued)

The Scott & Fetzer Company and Subsidiary Companies

(Dollars in thousands)

	Year Ended November 30 1982	1981	1980
CAPITAL EXPENDITURES			
Cleaning Systems & Household Products	**$ 2,698**	$ 2,133	$ 1,677
Education & Information Systems	**968**	1,167	2,329
Energy & Control	**3,360**	2,268	2,379
Fluid Transmission	**2,287**	3,096	3,203
Vehicular Products	**1,705**	1,092	1,235
Corporate and Other	**885**	1,701	3,828
	$ 11,903	$ 11,457	$ 14,651
DEPRECIATION			
Cleaning Systems & Household Products	**$ 2,065**	$ 1,881	$ 1,835
Education & Information Systems	**1,745**	1,850	1,797
Energy & Control	**1,469**	1,345	1,133
Fluid Transmission	**2,831**	2,706	2,484
Vehicular Products	**1,027**	1,049	1,028
Corporate and Other	**1,318**	1,222	745
	$ 10,455	$ 10,053	$ 9,022

Business Segment Information by Geographic Area

	Year Ended November 30 1982	1981	1980
NET SALES AND OTHER REVENUE			
United States	**$572,148**	$611,331	$579,680
Foreign	**39,885**	57,337	63,390
Interarea	**(12,025)**	(12,282)	(10,672)
	$600,008	$656,386	$632,398
INCOME BEFORE INCOME TAXES			
United States	**$ 54,136**	$ 63,346	$ 48,611
Foreign	**2,047**	(3,454)	(2,190)
	56,183	59,892	46,421
Corporate Expenses and Net Interest	**(8,071)**	(2,965)	(9,083)
	$ 48,112	$ 56,927	$ 37,338
IDENTIFIABLE ASSETS			
United States	**$362,830**	$368,905	$350,989
Foreign	**40,960**	36,889	43,054
	$403,790	$405,794	$394,043

(Dollars in thousands except per share data)

1. Significant Accounting Policies

Reclassifications — In 1982, the company adopted the cash flow concept of the Statement of Changes in Financial Position. The 1981 and 1980 Statements have been reclassified to conform with this concept.

Principles of Consolidation — The consolidated financial statements include the accounts of all domestic and foreign subsidiaries, except for the finance and insurance subsidiaries and joint ventures in which ownership is 50% or less, which are carried on the equity basis. Intercompany balances and transactions are eliminated in consolidation.

Short-Term Investments — Short-term investments, principally commercial paper and government securities, are carried at cost, which approximates market value.

Installment Sales — Profits on installment sales are credited to income at the time of sale. Monthly finance charges levied on domestic installment accounts are credited to income over the lives of the contracts, after deducting a provision for estimated uncollectible charges.

Inventories — Inventories are stated at the lower of cost or market. Cost has been determined on a last-in, first-out (LIFO) basis for approximately 79% and 84% of total inventories in 1982 and 1981, respectively. Cost for the remaining inventory has been determined on a first-in, first-out (FIFO) basis.

Property, Plant and Equipment — Property, plant and equipment is stated at cost. Depreciation and amortization are computed by the straight-line method using estimated useful lives of the assets.

Excess Cost Over Fair Value of Assets Acquired — The excess cost of investments over assets acquired is being amortized on a straight-line basis, principally over a 40 year period.

Income Taxes — Deferred taxes on income are provided for timing differences between financial and tax reporting, arising primarily from accelerated depreciation, income recognized from installment accounts receivable, purchased tax benefits, and accrued expenses not currently tax deductible.

Investment tax credits are applied to reduce the provision for federal income taxes in the year the credits arise.

Pensions — Annual pension costs charged to income include actuarially estimated current service costs and provisions for unprovided or overprovided actuarial liabilities, which are amortized over periods of fifteen to forty years. The company's general policy is to fund the minimum amount required under ERISA.

2. Receivables

Receivables at November 30, 1982 and 1981 consisted of the following:

	1982	1981
Trade receivables, less allowance for doubtful accounts (1982 — $5,871; 1981 — $5,551)	$54,490	$57,292
Installment receivables, less allowance for doubtful accounts (1982 — $5,772; 1981 — $6,005)	13,679	16,861
Other receivables, net	12,314	11,964
	$80,483	$86,117

In accordance with industry practice, total installment receivables are included in current assets. The portions of such accounts due after one year from the balance sheet date amounted to $5,080 and $6,452 at November 30, 1982 and 1981, respectively.

3. Inventories

Inventories at November 30, 1982 and 1981, consisted of the following:

	1982	1981
Raw materials	$22,919	$26,067
Work in process	31,077	27,830
Finished goods	27,049	25,714
	$81,045	$79,611

In 1980, the Company adopted the last-in, first-out (LIFO) method of inventory valuation for several operating units that had previously been reported under the first-in, first-out (FIFO) valuation method. This change resulted in a $1,385 reduction of 1980 net income or 19 cents per share. The Company believes that the use of the LIFO method reduces the effect of inflationary cost increases in inventory and thus results in a better matching of costs against current sales. The total impact of LIFO on net income and net income per share is presented in the following table.

	Year Ended November 30		
	1982	1981	1980
Gross LIFO effect			
Amount	$ 1,454	$ (1,436)	$ (73)
Per share	.22	(.20)	(.01)
Less increase in net income related to inventory liquidations of LIFO quantities and costs			
Amount	1,285	680	2,173
Per share	.19	.09	.29
Increase (decrease) in net income			
Amount	$ 169	$ (2,116)	$ (2,246)
Per share	$ .03	$ (.29)	$ (.30)

If FIFO costs had been used for inventories presently valued using the LIFO method, inventories would have been $27,023 and $27,354 higher than reported at November 30, 1982 and 1981, respectively.

4. Investments in and Advances to Unconsolidated Subsidiaries and Joint Ventures

The investments in and advances to wholly-owned unconsolidated subsidiaries and joint ventures in which ownership is 50% or less are carried on the equity basis and at November 30, 1982 and 1981, were as follows:

	1982	1981
Finance subsidiaries	$44,516	$30,614
World Book Life Insurance	12,126	10,233
Joint ventures	241	(145)
	$56,883	$40,702

The consolidated balance sheet included net amounts receivable from unconsolidated subsidiaries of $3,314 and $2,118 at November 30, 1982 and 1981, respectively.

In 1982, the Company advanced $9,107 and established a new wholly-owned finance subsidiary, Scott Fetzer Financial Services Company (SFFS). SFFS has a wholly-owned consolidated subsidiary, United Acceptance Limited, which provides funds to finance the installment receivables from customers of the Kirby Group distributors operating in the United Kingdom.

World Book Finance, Inc. (WBFI) provides funds principally to finance the domestic installment receivables of World Book, Inc. WBFI has a wholly-owned consolidated subsidiary, United Retail Finance Company, which provides funds to finance the domestic installment receivables from customers of Kirby Group distributors. The Company is obligated under an operating agreement to make available to WBFI amounts sufficient so that earnings, as defined, are at least 150% of fixed charges, primarily interest. The amounts provided were $12,102 in 1982, $7,650 in 1981 and $8,275 in 1980. The current liability for deferred income taxes in the consolidated balance sheet includes amounts related to installment receivables financed by WBFI. Summarized financial statements of WBFI follow.

	November 30	
	1982	1981
Assets		
Cash and cash equivalents	$ 29,855	$ 42,340
Finance receivables, net of allowance for credit losses	101,078	89,518
Other assets	2,957	1,639
Total Assets	$133,890	$133,497
Liabilities and Equity		
Accounts payable and other liabilities	$ 6,961	$ 4,917
Payables to affiliated company	—	1,697
Current portion of long-term debt	2,625	2,625
Long-term debt	89,500	92,125
Scott Fetzer equity	34,804	32,133
Total Liabilities and Equity	$133,890	$133,497

	Year Ended November 30		
	1982	1981	1980
Total revenue	$22,428	$15,139	$11,550
Interest expense	11,022	8,426	7,158
Other expenses	5,895	2,500	813
Income taxes	2,840	2,149	1,786
Net income	$ 2,671	$ 2,064	$ 1,793

5. Property, Plant and Equipment

Property, plant and equipment at November 30, 1982 and 1981, consisted of the following:

	1982	1981
Land and land improvements	$ 5,199	$ 4,436
Buildings	26,738	25,546
Machinery and equipment	99,375	94,862
Capitalized leases	14,370	14,088
	145,682	138,932
Accumulated depreciation and amortization	63,712	56,105
	$ 81,970	$ 82,827

6. Notes Payable and Long-Term Debt

The Company had borrowings of $4,971 and $4,506 at November 30, 1982 and 1981 under bank credit lines available under contractual arrangements in various foreign countries. These credit lines totalled $7,857 and $10,498 at these dates and required commitment fees up to 1½% per annum on the unused portion.

A summary of long-term debt, at November 30, 1982 and 1981, excluding the current portion, follows:

	1982	1981
9½% Notes, payable in annual installments of $2,500 beginning 1983, due 1998	$37,500	$40,000
9¼% Notes, due 1985	30,000	30,000
Other long-term debt with interest rates from 8% to 11% due in installments thru 1987	816	871
Capitalized leases with interest rates from 4% to 16% due in installments thru 1989	4,470	6,030
	$72,786	$76,901

The 9½% and 9¼% note agreements contain covenants regarding increases in debt, minimum asset-to-debt ratios and the extent to which dividends may be paid. Under the most restrictive of the debt covenants, retained earnings available for the payment of dividends amounted to $44,828 at November 30, 1982.

Aggregate maturities of long-term debt are $4,559, $4,063, $34,008, $3,497, $3,248 for the years ending November 30, 1983 through 1987, respectively.

7. Leases

The Company leases certain equipment, offices, warehouses and production facilities.

Lease terms for capitalized facilities and machinery and equipment are generally 15 years and 5 to 8 years, respectively. The Company has options to purchase many of the capitalized assets and can renew or purchase many leased assets currently classified as operating leases.

Capital leases, which are accounted for and amortized as Company-owned assets at November 30, 1982 and 1981, were as follows:

	1982	1981
Land and land improvements	$ 333	$ 333
Buildings	9,517	9,500
Machinery and equipment	4,520	4,255
	14,370	14,088
Accumulated amortization	8,671	7,622
	$ 5,699	$ 6,466

Future minimum lease payments under noncancelable capital and operating leases are:

Year Ending November 30	Capitalized Leases	Operating Leases
1983	$ 2,473	$ 6,313
1984	1,801	5,199
1985	1,622	4,555
1986	1,018	2,621
1987	685	1,882
Later years	513	3,948
Total minimum lease payments	8,112	24,518
Less minimum sublease rents	455	443
Net minimum lease payments	7,657	$24,075
Less:		
Amount representing estimated executory costs	98	
Amount representing interest	1,679	
Present value of minumum lease payments, of which $1,865 is due within one year	$ 5,880	

Net rent expense for noncancelable operating leases for the years ended November 30, 1982, 1981, and 1980 amounted to $6,114, $6,637, and $6,855, respectively.

8. Stock Options

The Company's 1973 and 1981 Stock Option Plans provide for the granting of options to key executive employees to purchase shares of the Company's common stock at not less than 100% of its fair market value on the date of grant. Options issued under the 1981 Plan, which was approved by shareholders in March 1982, and certain converted options issued under the 1973 Plan are intended to qualify as "Incentive Stock Options" as defined in the Internal Revenue Code. All outstanding options are exercisable one-fourth each year commencing one year after date of grant and expire 10 years after date of grant. No charge to income is made with respect to options granted.

Both plans permit the granting of stock appreciation rights to optionees. As of November 30, 1982 no such rights had been granted.

Changes in options outstanding under these Plans during the years 1980, 1981 and 1982 follow.

	Shares	Option Price or Range
1973 STOCK OPTION PLAN		
November 30, 1979	220,875	10 5/8–26 7/8
Granted	105,900	23 1/8–23 1/4
Exercised	(25,900)	10 5/8–13 7/8
Cancelled	(29,000)	13 7/8–26 7/8
November 30, 1980	271,875	23 1/8–26 7/8
Granted	7,290	28
Cancelled	(14,300)	23 1/8–26 7/8
November 30, 1981	264,865	23 1/8–28
Granted	18,700	33–35 1/2
Exercised	(1,000)	23 1/8–23 1/4
Cancelled	(23,375)	23 1/8–26 1/2
November 30, 1982	259,190	23 1/8–35 1/2
1981 STOCK OPTION PLAN		
November 30, 1980	-0-	
Granted	68,060	28
November 30, 1981	68,060	28
Granted	63,650	33–35 1/2
Cancelled	(2,650)	28
November 30, 1982	129,060	28–35 1/2

At November 30, 1982, 1981, and 1980, options exercisable under the 1973 Stock Option Plan were 171,581, 139,264 and 79,869 respectively, and 513,213, 514,213 and 514,213 shares were reserved for issuance. Shares available for future grants under the 1973 Plan at the end of each of the three years were 254,023, 249,348 and 242,338.

Options exercisable under the 1981 Stock Option Plan as of November 30, 1982 and 1981 were 16,353 and none, respectively. Shares available for future grants were 370,940 and 431,940 at the end of each of the two years with 500,000 shares reserved for issuance.

9. Pension and Retirement Plans

The Company has various pension, profit-sharing and thrift plans, mostly non-contributory, covering substantially all of its employees. It also has accrued deferred compensation, none of which has been funded, pursuant to agreements with certain officers and other senior management employees.

Total pension expense for the years ended November 30, 1982, 1981, and 1980 was $7,467, $6,587 and $7,363, respectively. During 1982, the Company changed certain actuarial assumptions used for pension expense determination and funding purposes to more closely approximate actual experience of the plans. These changes primarily consisted of increases in the assumed rate of return, projected salary scales and future Social Security benefits. The decrease in pension cost in 1981 was due principally to an increase in the assumed rate of return on plan assets.

A comparison of accumulated plan benefits and net assets for the domestic defined benefit plans as of the most recent valuation dates, principally December 1, 1981 and 1980, is as follows:

	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	$19,596	$19,947
Non-vested	3,710	2,871
Total value	$23,306	$22,818
Net assets, at market value, available for benefits	$32,976	$30,345

The rate of return used in determining the actuarial present value of accumulated plan benefits was 7½% for both years.

The Company has a limited number of employees who participate in noncompany sponsored multi-employer plans.

10. Income Taxes

The provisions for income taxes were as follows:

	Year Ended November 30		
	1982	1981	1980
Current:			
Federal	$14,910	$19,798	$14,199
State and local	2,986	3,984	2,343
Foreign	635	2,190	(797)
	18,531	25,972	15,745
Deferred:			
Current	(2,848)	788	(3,244)
Noncurrent	5,337	1,100	1,768
	2,489	1,888	(1,476)
	$21,020	$27,860	$14,269

The deferred income tax provisions resulted from the following:

	Year Ended November 30		
	1982	1981	1980
Accelerated depreciation	$ 709	$ 1,051	$ 1,892
Expenses deductible for tax purposes when paid	(845)	(1,366)	(4,403)
Taxes deferred on installment sales	(2,346)	2,078	314
Purchased tax benefits	4,526	—	—
State and local income/franchise tax timing differences	445	130	338
Other, net	—	(5)	383
	$ 2,489	$ 1,888	$(1,476)

The effective income tax rate is reconciled to the statutory federal income tax rate as follows:

	Year Ended November 30		
	1982	1981	1980
Statutory federal tax rate	46.0%	46.0%	46.0%
State and local income taxes net of federal income tax benefit	3.3	3.8	3.3
Investment tax credit and research & development credit	(2.5)	(1.5)	(3.4)
DISC income not taxed	(1.0)	(1.7)	(1.6)
Foreign operations tax effect	(.5)	2.8	(1.2)
Worthless stock deductions — foreign operations	—	—	(5.1)
Other, net	(1.6)	(.5)	.2
	43.7%	48.9%	38.2%

During 1982, the Company entered into safe harbor leasing agreements involving property with a cost basis of $26,781. The $7,893 paid as consideration for the property has been included in Other Assets and is being amortized over the period during which the corresponding tax benefits are to be realized. These transactions have had no effect on net income in 1982 and will not have a material effect on net income in any future period. While not reducing the provision for income taxes, current tax payments have been reduced by the $4,526 in tax benefits realized from these transactions.

11. Disposal of Operations

Effective December 1, 1981, the Company entered into an agreement to dispose of essentially all of its World Book, Inc. operations in Japan.

During 1981 and 1980, the Company charged operations for $4,000 and $6,000, respectively, to cover anticipated costs relating to this disposal and other aspects of World Book's international operations. These charges primarily represent estimated future losses on the realization of net asset values.

12. Business Segment Information

Information with respect to the Company's business segments is contained on pages 11 and 12 of this report.

Segment data for 1980 has been restated to reflect the realignment of operating units initiated in 1981. Additionally, certain financial data of unconsolidated finance subsidiaries and joint ventures have been included with the segments with which they are vertically integrated.

World Book Finance, Inc. (WBFI) is a wholly-owned unconsolidated domestic subsidiary of World-Book, Inc. (WBI). WBFI has a wholly-owned domestic consolidated subsidiary, United Retail Finance Company (URFC), which was organized in 1980. URFC is vertically integrated with the operations of the Cleaning Systems & Household Products segment.

Scott Fetzer Financial Services Company (SFFS) is a wholly-owned unconsolidated domestic subsidiary of the Company. SFFS has a wholly-owned foreign consolidated subsidiary, United Acceptance Limited (UAL), which was organized in 1982. UAL is vertically integrated with the operations of the Cleaning Systems & Household Products segment.

WBI has a wholly-owned unconsolidated foreign finance subsidiary and also maintains two domestic joint ventures on the equity basis. These entities and WBFI, excluding URFC, are vertically integrated with the Education & Information Systems segment.

Intersegment and interarea sales are accounted for at prices which generally approximate fair market value. Operating earnings are total revenue less operating expenses, excluding interest, general corporate expenses, and earnings of the unconsolidated life insurance subsidiary.

13. Contingent Liabilities

The Company is a defendant in several lawsuits and other claims which, in the opinion of management, will not have a material effect on the consolidated financial position and consolidated results of operations.

14. Quarterly Information (Unaudited)

	1982 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Net sales and other revenue	$142,801	$172,010	$143,505	$141,692
Gross profit	61,825	78,164	66,285	65,835
Net income	5,375	8,895	6,780	6,042
Earnings per share	.79	1.32	1.02	.91
	1981 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Net sales and other revenue	$153,639	$175,581	$163,687	$163,479
Gross profit	68,870	74,424	67,596	78,805
Net income	5,548	9,068	8,052	6,399
Earnings per share	.75	1.23	1.09	.94

15. Impact of Inflation on the Business (Unaudited)

The Company's financial statements are prepared on a historical cost basis. This basis does not account for the effects of inflation, either general or specific, on the results of operations or changes in financial position. The following supplemental financial information has been prepared in accordance with the experimental techniques of Statement No. 33 issued by The Financial Accounting Standards Board. This statement requires computation of certain supplementary information utilizing two methods, constant dollar and current cost.

Both of these methods inherently involve the use of assumptions, estimates and subjective judgments and should not be viewed as precise indicators of the effects of inflation on the Company.

The constant dollar method was computed by adjusting historical costs for changes in the purchasing power of the dollar as measured by the Consumer Price Index for All Urban Consumers. The current cost of inventories was based on the first-in, first-out assumption as to inventory usage. The current cost of property, plant and equipment was determined by application of the Engineering News-Record Index for buildings and selected Producer Price Indices for other fixed assets. The Company's use of the last-in, first-out method of inventory valuation for most locations minimized the adjustment to cost of sales under the current cost method. Depreciation applicable to both methods was computed with the same asset lives and in the same manner as used in the primary statements.

Since inflation adjustments are not deductible for tax purposes, no adjustment was made to income tax expense, resulting in an effective tax rate of 57.5% for constant dollar basis net income and 55.2% for current cost basis net income, compared with 43.7% in the primary statements.

Consolidated Statement of Income Adjusted for Changing Prices (Unaudited)

For the year ended November 30, 1982
(Dollars in thousands except per share data)

	As Reported in Primary Statements	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales and other revenue	$600,008	$600,008	$600,008
Cost of goods sold	327,899	337,761	336,155
Gross profit	272,109	262,247	263,853
Selling, general and administrative expenses	219,916	221,608	221,663
Operating income	52,193	40,639	42,190
Other income (deductions):			
Interest and other income, net	10,975	10,975	10,975
Interest expense	(9,644)	(9,644)	(9,644)
Charges for services of finance subsidiary	(12,102)	(12,102)	(12,102)
Income from unconsolidated subsidiaries and joint ventures	6,690	6,690	6,690
Income before income taxes	48,112	36,558	38,109
Income taxes	21,020	21,020	21,020
Net income	$ 27,092	$ 15,538	$ 17,089
Depreciation included above	10,455	15,914	16,091
Earnings per share	4.04	2.32	2.55
Effective income tax rate	43.7%	57.5%	55.2%
Net assets at end of year	$194,085	258,021	255,307
Gain from decline in purchasing power of net amounts owed		$ 1,322	1,322
Increase in current cost of inventories and property, plant and equipment during the year			11,538
Less effect of increase in general inflation			10,873
Excess of increase in current cost over increase in general inflation			$ 665

Selling, general and administrative expenses have been adjusted for depreciation expense of $1,692 and $1,747 respectively, due to adjustments for general inflation and changes in current costs.

At November 30, 1982, the estimated current cost of inventories and property, plant and equipment, net of accumulated depreciation, was $108,068 and $120,249, respectively.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

(Dollars in thousands except per share data)

	Fiscal Year Ended November 30				
	1982	1981	1980	1979	1978
Net sales and other revenue	$600,008	$656,386	$632,398	$697,401	$478,222
Constant dollar information:					
Net sales and other revenue	600,008	699,579	745,992	934,297	710,677
Net income	15,538	16,747	9,403		
Net income per share	2.32	2.31	1.27		
Net assets at year-end	258,021	245,701	236,698		
Current cost information:					
Net income	17,089	20,301	11,914		
Net income per share	2.55	2.80	1.61		
Net assets at year-end	255,307	241,089	232,949		
Excess of increase in current cost over increase in general inflation	655	(4,389)	(4,178)		
Other information:					
Gain from decline in purchasing power of net amounts owed	1,322	2,140	3,742		
Cash dividends per share —					
As reported	1.80	1.80	1.80	1.70	1.50
Average 1982 dollars	1.80	1.92	2.12	2.26	2.23
Common share market price at year-end —					
As reported	34.12	28.25	23.50	22.75	25.87
Average 1982 dollars	33.41	29.01	26.44	28.83	36.92
Average Consumer Price Index	288.3	270.5	244.4	215.2	194.0

Directors

ROBERT W. BJORK
Managing Director of
Stuyvesant Capital Management Corp.,
Investment advisory firm
Compensation Committee; Planning and Organization Committee; Nominating Committee, chairman

J. F. BRADLEY
Executive Vice President —
Administration and Finance

GARY A. CHILDRESS
President and
Chief Operating Officer
Planning and Organization Committee; Executive Committee

STEPHEN H. FULLER, Ph.D.
Professor, Harvard Business School
Audit Committee;
Compensation Committee;
Planning and Organization Committee

JAMES A. HUGHES
Chairman, First Union Real Estate Investments, Real estate investment trust
Nominating Committee;
Compensation Committee, chairman;
Planning and Organization Committee;
Investment and Pension Committee

LAWRENCE C. JONES
Chairman and President,
Van Dorn Company
Manufacturer of special purpose containers, plastic injection molding machinery, and heat treating of steel
Audit Committee;
Investment and Pension Committee, chairman;
Planning and Organization Committee

WALTER A. RAJKI
Senior Vice President
Investment and Pension Committee;
Executive Committee

RALPH SCHEY
Chairman and
Chief Executive Officer
Executive Committee, chairman;
Nominating Committee;
Investment and Pension Committee;
Planning and Organization Committee, chairman

ROBERT L. SWIGGETT
Chairman and Chief Executive Officer,
Kollmorgen Corporation
Manufacturer of printed circuits, direct current motors and control systems, color and photometry instruments and electro-optical systems
Investment and Pension Committee;
Audit Committee, chairman;
Planning and Organization Committee

Corporate Management

RALPH SCHEY
Chairman and
Chief Executive Officer

GARY A. CHILDRESS
President and
Chief Operating Officer

J. F. BRADLEY
Executive Vice President —
Administration and Finance

WALTER A. RAJKI
Senior Vice President

JOHN BEBBINGTON
Senior Vice President

KEARNEY K. KIER
Group Vice President

KENNETH J. SEMELSBERGER
Group Vice President

KENNETH D. HUGHES
Vice President and Treasurer

ROBERT C. WEBER
Vice President,
General Counsel, and Secretary

THEODORE C. BLISS
Assistant Treasurer

RICHARD E. HERTHNECK
Assistant Secretary
and Associate Counsel

KENNETH A. HOOK
Assistant Secretary
and Associate Counsel

CORRINE E. REYNOLDS
Assistant Secretary
and Associate Counsel

Corporate Information

Corporate Office
14600 Detroit Avenue
Lakewood, Ohio 44107
Telephone: 216 / 228-6200
Telex: 810 / 421-8128

Annual Meeting
The annual meeting of shareholders will be held on Tuesday, March 22, 1983, at 10:30 a.m. at the Westlake Holiday Inn, 1100 Crocker Road, Westlake, Ohio 44145.

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 Agent and Registrar
AmeriTrust Company
P. O. Box 6477
Cleveland, Ohio 44101

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.

Operating Units

Adalet Division
4801 West 150th Street
Cleveland, Ohio 44135
216/267-9000

American Lincoln Division
1100 Haskins Road
Bowling Green, Ohio 43402
419/352-7511

Campbell Hausfeld Division
100 Production Drive
Harrison, Ohio 45030
513/367-4811

Carefree of Colorado Division
2760 Industrial Lane
Broomfield, Colorado 80020
303/469-3324

Douglas Division
141 Railroad Street
Bronson, Michigan 49028
517/369-2315

France Division
726 Fairview Boulevard, West
Fairview, Tennessee 37062
615/799-0551

Halex Division
23901 Aurora Road
Bedford Heights, Ohio 44146
216/439-1616

Kirby Group
1920 West 114th Street
Cleveland, Ohio 44102
216/228-2400

Klevac Division
2021 Midway Drive
Twinsburg, Ohio 44087
216/425-3371

Northland Division
968 Bradley Street
Watertown, New York 13601
315/782-2350

Powerwinch/Jason/Quikut/MedCare Division
217 Long Hill Cross Road
Shelton, Connecticut 06484
203/929-5371

Stahl Division
3201 West Lincoln Way
Wooster, Ohio 44691
216/264-7441

Valley Industries Division
1313 South Stockton Street
Lodi, California 95240
209/368-8881

Wayne Home Equipment Division
801 Glasgow Avenue
Fort Wayne, Indiana 46803
219/426-4000

Western Enterprises Division
33672 Pin Oak Parkway
Avon Lake, Ohio 44012
216/933-2171

World Book, Inc. (a subsidiary)
Merchandise Mart Plaza
Chicago, Illinois 60654
312/245-3456

Exhibit 22

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

	Subsidiaries of Scott & Fetzer	State of Incorporation	% of Stock Owned
A.	The Kirby Sales Company, Inc.	Ohio	100%
A.	Melben Products Co., Inc.	Ohio	100%
A.	SFZ International, Inc.	Canada	100%
A.	Scott & Fetzer (Canada) Ltd.	Ontario	100%
A.	The Scott & Fetzer International Company	Ohio	100%
A.	World Book, Inc.	Delaware	100%
A.	SFZ Transportation, Inc.	Ohio	100%
B.	World Book Finance, Inc.	Delaware	100%
C.	United Retail Finance Company	Delaware	100%
D.	Scott Fetzer Financial Services Company	Delaware	100%
E.	United Acceptance Limited	Delaware	100%

A. Included in the Consolidated Financial Statements contained in the 1982 Annual Report to shareholders of Scott Fetzer.

B. Unconsolidated subsidiary of World Book, Inc., for which separate financial statements are filed on pages F-8 through F-16 of the 1982 Form 10-K Report.

C. Consolidated subsidiary of World Book Finance, Inc.

D. Unconsolidated subsidiary of Scott Fetzer.

E. Consolidated subsidiary of Scott Fetzer Financial Services Company.

END