

SEC FILE NO 1-213 05 --03

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SCOTT & FETZER CO

10-K

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DISCLOSURE INC WASHINGTON D. C. 20016

FOR 11 30 83

# Quick Reference Chart to Contents of SEC Filings

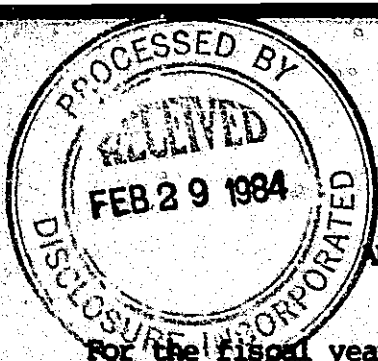
REPORT CONTENTS	10-K	19-K 20-F	10-Q	8-K	10-C	6-K	Proxy Statement	Prospectus	Registration Statements		ARS	Listing Application	N-1R	N-1Q
									'34 Act	'33 Act				
									F-10, 8-A, 8-B	"S" Type				
<b>Auditor</b>														
<input type="checkbox"/> Name	A	A						A	A		A		A	
<input type="checkbox"/> Opinion	A	A							A		A		A	
<input type="checkbox"/> Changes				A										
<b>Compensation Plans</b>														
<input type="checkbox"/> Equity							F	F	A		F			
<input type="checkbox"/> Monetary							F	F	A		F			
<b>Company Information</b>														
<input type="checkbox"/> Nature of Business	A	A				F		A	A		A			
<input type="checkbox"/> History	F	A						A			A			
<input type="checkbox"/> Organization and Change	F	F		A		F		A		F	A			
<b>Debt Structure</b>	A					F		A	A		A	A		A
<b>Depreciation &amp; Other Schedules</b>	A	A				F		A	A		A			
<b>Dilution Factors</b>	A	A		F		F		A	A		A	A		
<b>Directors, Officers, Insiders</b>														
<input type="checkbox"/> Identification	F	A				F	A	A	A		A	F		
<input type="checkbox"/> Background		A				F	F	A			A			
<input type="checkbox"/> Holdings		A					A	A	A		A			
<input type="checkbox"/> Compensation		A					A	A	A		A			
<b>Earnings Per Share</b>	A	A	A			F			A		A			A
<b>Financial Information</b>														
<input type="checkbox"/> Annual Audited	A	A							A		A			A
<input type="checkbox"/> Interim Audited		A												
<input type="checkbox"/> Interim Unaudited			A			F		F			F			
<b>Foreign Operations</b>	A							A	A		A		F	
<b>Labor Contracts</b>									F		F			
<b>Legal Agreements</b>	F								F		F			
<b>Legal Counsel</b>								A			A			
<b>Loan Agreements</b>	F		F						F		F			
<b>Plants and Properties</b>	A	F						F	A		F			
<b>Portfolio Operations</b>														
<input type="checkbox"/> Content (Listing of Securities)														A
<input type="checkbox"/> Management														A
<b>Product-Line Breakout</b>	A							A			A			
<b>Securities Structure</b>	A	A						A	A		A			
<b>Subsidiaries</b>	A	A						A	A		A			
<b>Underwriting</b>								A	A		A			
<b>Unregistered Securities</b>								F			F			
<b>Block Movements</b>				F					A					

Legend: A - always included - included - if occurred or significant F - frequently included [ ] - special circumstances only

TENDER OFFER/ACQUISITION REPORTS	13D	13G	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

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



5155700  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

ORIGINAL  
L 27-179

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, 1983

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)

14600 Detroit Avenue,  
Lakewood, Ohio  
(After April 1, 1984  
28800 Clemens Road  
Westlake, Ohio)

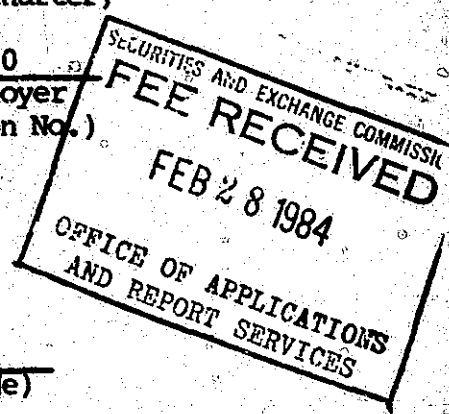
(Address of principal  
executive offices)

34-0517040

(I.R.S. Employer  
Identification No.)

44107

44145  
(Zip Code)



Registrant's telephone number, including area code:

(216) 228-6200

(After April 1, 1984

(216) 892-3000)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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, 1984, excluding, for purposes of this computation, only stock holdings of the registrant's Directors and Officers. \$293,060,268

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

Total number of pages, including cover pages 142.

The number of Common Shares outstanding on January 31, 1984, was 6,628,973.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Annual Report to shareholders for the year ended November 30, 1983, are incorporated by reference into Parts I and II.

Portions of the Proxy Statement dated February 16, 1984, are incorporated by reference into Part III.

## 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 14 operating units located in 12 states. Most of these units 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 attributable to each business segment for the past three years is set forth in the tables on pages 13 and 14 of the 1983 Annual Report to shareholders of Scott Fetzer. Additional information is noted in footnote 12 on page 19 of the 1983 Annual Report. These tables and footnote are incorporated herein by reference. Segment data for 1981 and 1982 have been restated to exclude the operating results related to discontinued operations and to reflect certain reclassifications of identifiable assets. Such data reflect the allocation of certain expenses and other arbitrary determinations. 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.

During the fiscal year ended November 30, 1983, no single customer purchased from the operating units of Scott Fetzer products 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. 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 approximately 1,200 factory distributors and area dealers. Kirby's sales to

distributors are substantially all for cash. Kirby has five major competitors. Kirby's sale prices to consumers are established individually by each authorized dealer; prices tend to be somewhat higher than those of the competition. Service is provided by the independent distributors and the Kirby factory rebuild department. Kirby believes its service to be as good as, or better than, that of the competition. Kirby's warranties generally afford more comprehensive coverage for a longer time than those of the competition. Product performance appears equal to, or better than, that of the competition.

In fiscal 1983, no one distributor accounted for more than 2% of Kirby sales. Domestic sales are proportionately distributed throughout the country according to 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 14%, 16% and 17% of total revenues from continuing operations of Scott Fetzer for each of the fiscal years 1981 through 1983, respectively.

As of November 30, 1983, United Consumer Financial Services Company, a wholly-owned subsidiary of World Book Finance, Inc., which finances consumer installment accounts for Kirby distributors, had net finance receivables totalling approximately \$29 million. The Company has a wholly-owned finance subsidiary, Scott Fetzer Financial Services Company (SFFS). SFFS has two wholly-owned consolidated subsidiaries, United Acceptance Limited and Scott & Fetzer Financial Services of Canada, Inc., which finances the installment accounts from customers of the Kirby Group distributors operating in the United Kingdom and Canada. As of November 30, 1983, these subsidiaries had finance receivables with a net amount totalling approximately \$2.5 million.

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 manufactures and sells injection molded plastic items, a line of household cutlery and scissors, and sterilized disposable medical supplies.

The Cleaning Systems & Household Products segment serves primarily 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 7,620 full-time and 21,800 part-time independent commissioned sales representatives. World Book, through subsidiaries and branches having approximately 570 full-time and 4,490 part-time independent commissioned sales representatives, conducts direct

selling operations in Canada, Australia, the British Isles and the Caribbean. World Book has six major competitors, but believes it is a leader 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 than that of the competition. World Book also markets, primarily by direct mail, its annual encyclopedia supplements, and other publications and 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, 1983, the net amount of these receivables totaled approximately \$70 million.

In 1983, no one representative accounted for more than 2% of World Book domestic sales. Domestic sales are proportionately distributed throughout the country according to population densities. For fiscal years 1981 through 1983, sales of World Book products under the World Book and other names accounted for approximately 43%, 42%, and 40%, respectively, of total revenues from the continuing operations of Scott Fetzer.

The Education & Information Systems segment serves primarily 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. During fiscal 1983, the Campbell Hausfeld unit introduced a one horsepower tankless air compressor called Super Pal™ into the consumer automotive market. These products are sold domestically and abroad by mass merchandisers and retail stores under both private labels and under the Campbell Hausfeld brand name; independent distributors and sales representatives sell these products under the Campbell Hausfeld brand name. Campbell Hausfeld has three main competitors in the consumer market, and four in the commercial market. Its prices are 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 1981 through 1983, sales of Campbell Hausfeld products accounted for approximately 14%, 10%, and 13% respectively, of total sales from the continuing 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 1983, Wayne Home Equipment began marketing its new gasoline-powered multi-purpose centrifugal pump, the Porta Pump II™; Wayne's Reliant One™, a submersible utility pump introduced late in fiscal 1982, has been well received during its first full year in the marketplace. Wayne is

presently developing a new generation of submersible sump pumps for introduction in late 1984 or early 1985.

Also within the Fluid Transmission segment, Scott Fetzer manufactures connectors and fittings for compressed gas applications and a line of medical regulators and flowmeters.

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 winches for marine and other applications; antennas (markets only) for the recreational vehicle market; and recreational vehicle and mobile home accessories. There are a number of competitors 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 equal to, or better than, those of the competition.

The Vehicular Products segment serves primarily the recreational vehicle, mobile home, marine, construction and public utility markets.

In 1983, Scott Fetzer's wholly-owned transportation subsidiary, SFZ Transportation, Inc., became a common carrier licensed to operate in forty-eight states.

Energy & Control

Scott Fetzer is engaged in the manufacture and sale of explosion-proof fittings and junction boxes, 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 liquidtight 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 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 equal to, or better than, those of the competition.



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

### Acquisitions and Dispositions

During fiscal 1983, Scott Fetzer sold its wide-bodied ComVac/SuperVac commercial cleaner lines, which was part of the Cleaning Systems & Household Products segment, and the Cardinal Plastics operating unit of the Western Enterprises Division, which was included in the Cleaning Systems & Household Products segment; both sales were for primarily cash. Also during fiscal 1983, Scott Fetzer sold for cash its Valley Industries Division, which was part of the Vehicular Products segment; its World Book Life Insurance Company, an unconsolidated wholly-owned insurance subsidiary of World Book, Inc. An agreement of sale was executed February 24, 1984, for the sale of Scott Fetzer's Douglas Division, part of its Vehicular Products segment. This sale is 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, the development of new applications for existing

Scott Fetzer is continuously engaged in the refinement and development of its various product lines, the 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 1983, 1982, and 1981 were not material.

Scott Fetzer conducts research and development in connection with the development of 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.

Seasonality

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, 1984, Scott Fetzer employed in continuing operations 13,740 persons, of whom 10,329 were salaried and 3,411 were hourly. A total of 1,178 hourly employees in 9 of Scott Fetzer's 42 facilities are represented by labor organizations. Scott Fetzer has enjoyed generally good relations with its employees. A total of 334 employees are covered by 2 labor contracts which are scheduled for renegotiation during fiscal 1984.

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 11 of the Notes to Financial Statements on page 19 of the 1983 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

<u>State</u>	<u>City</u>	<u>Business Segment</u>	<u>Type</u>
Arkansas	Walnut Ridge* (1)	A	Plant
California	Merced (1)	E	Plant
Colorado	Broomfield (1)	E	Plant
Connecticut	Shelton* (1)	A/E	Plant
Illinois	Chicago* (2)	B	Office/Warehouse
Indiana	Ft. Wayne (2)	D	Plant
	Kokomo (1)	G	Plant
	Elkhart* (1)	E	Warehouse
Kentucky	Leitchfield (1)	D	Plant
New York	Watertown (1)	C	Plant
Ohio	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)	F	Office
	Westlake (1)	A	Office
	Wooster (1)	E	Plant
Oklahoma	Durant* (1)	E	Plant
Tennessee	Fairview (2)	C	Plant
	Livingston (1)	C	Plant
	Mt. Juliet* (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 42 facilities in 30 locations in 12 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 8 of the Notes to Financial Statements on

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Page 17 of the 1983 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 1983 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 executive officers of Scott Fetzer as of February 1, 1984. There are no family relationships among these officers. All executive officers are elected annually by the Directors.

<u>Name</u>	<u>Age</u>	<u>Title</u>
John Bebbington	58	Senior Vice President

John Bebbington has been employed by Scott Fetzer for more than five years as Senior Vice President.

**J. F. Bradley**

53

**President  
Financial Services Group**

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 3/21/83) and President - Financial Services Group (3/21/83 to present).

**Gary A. Childress**

49

**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**

62

**Vice President and Treasurer**

Kenneth D. Hughes has been employed by Scott Fetzer for more than five years as Vice President and Treasurer.

**Kearney K. Kier**

47

**Group Vice President**

Kearney K. Kier has been employed by Scott Fetzer for the past five years as Group Vice President.

Walter A. Rajki

58

Senior Vice President

Walter A. Rajki has been employed by Scott Fetzer for more than five years as Senior Vice President.

Ralph E. Schey

59

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

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Senior Vice President - Finance & Administration

Kenneth J. Semelsberger has been employed by Scott Fetzer for more than five years in such capacities as Group Vice President (9/1/78 to 4/1/83) - Senior Vice President - Finance & Administration (4/1/83 to present).

K. Wayne Smith

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Vice President - Scott Fetzer and President - Education, Training & Information Group

K. Wayne Smith has been employed by Scott Fetzer as Vice President - Scott Fetzer and President - Education, Training & Information Group (5/20/83 to present). From 1977 through 4/29-83, he was Group Managing Partner, Washington, D.C., operations for Coopers & Lybrand.

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 Stock and Related Stockholder Matters

Common Stock Market Price and Dividend Information on page 6 of the Annual Report to shareholders for the year ended November 30, 1983, is incorporated herein by reference. The number of holders of common shares of Scott Fetzer as of January 31, 1984, was 5,973.

ITEM 6. Selected Financial Data

Selected Financial Data on page 1 of the Annual Report to shareholders for the year ended November 30, 1983, 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 5 through 7 of the Annual Report to shareholders for the year ended November 30, 1983, 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 9 through 20 of the Annual Report to shareholders for the fiscal year ended November 30, 1983, are incorporated herein by reference:

Consolidated Statement of Income for the fiscal years ended November 30, 1983, 1982 and 1981.

Consolidated Balance Sheet as of November 30, 1983 and 1982.

Consolidated Statement of Changes in Financial Position for the fiscal years ended November 30, 1983, 1982 and 1981.

Consolidated Statement of Shareholders' Equity for the fiscal years ended November 30, 1983, 1982 and 1981.

Notes to Consolidated Financial Statements.

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 3 through 5 of Scott Fetzer's definitive Proxy Statement ("Proxy Statement") dated February 16, 1984, which information is incorporated herein by reference.

ITEM 11. Management Remuneration

Information under the captions "Executive Compensation," "Pension Plan," and "Stock Options" on pages 7 through 12 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 11 of the Proxy Statement is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions

None.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1-2. The response to this portion of Item 14 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 annual installments of 2.5 million dollars 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. Previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1982 and incorporated herein by reference.
- (10) (i) 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.
- (ii) The Scott & Fetzer Company Stock Option Plan adopted in 1981, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1982 and incorporated herein by reference.
- (iii) The Scott & Fetzer Company stock option agreements dated November 22, 1983.
- (iv) Amendments to stock option agreements made prior to November, 1983.
- (v) Form of Deferred Compensation Agreement between The Scott & Fetzer Company and certain officers, employee directors, directors and key employees, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1982 and incorporated herein by reference.
- (vi) Form of Deferred Compensation Agreement between The Scott & Fetzer Company and nonemployee directors.
- (vii) Amended Employment Agreement between The Scott & Fetzer Company and Mr. Ralph E. Schey.
- (viii) Employment Agreement dated September 15, 1982, between The

Scott & Fetzer Company and Mr. Gary A. Childress, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1982 and incorporated herein by reference.

- (ix) Letter of understanding between The Scott & Fetzer Company and Kenneth J. Semelsberger.
- (x) Letter of understanding dated February 23, 1983, between The Scott & Fetzer Company and K. Wayne Smith.
- (xi) Amended Contingent Compensation Agreements between The Scott & Fetzer Company and Messrs. Schey, Bebbington, Bradley, Kier, Rajki and Semelsberger.
- (xii) Consulting Agreement dated February 22, 1983, between The Scott & Fetzer Company and Robert W. Bjork.
- (xiii) Consulting Agreement between The Scott & Fetzer Company and Stephen H. Fuller.
- (xiv) Insurance contracts between certain officers and employees of The Scott & Fetzer Company for long-term disability and death benefits, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1982 and incorporated herein by reference.
- (xv) Form of agreement to reimburse medical expenses to directors and certain employees.
- (xvi) Form of \$50,000 term life insurance policy for nonemployee directors.
- (13) The Scott & Fetzer Company's 1983 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, 1983.

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 *[Signature]*

K. J. Semelsberger  
Senior Vice President-  
Finance and Administration;  
(Principal Financial Officer)  
Director

Date FEB 28 1984

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.

*[Signature]*  
R. E. Schey  
Chairman and Chief Executive  
Officer  
(Principal Executive Officer)  
Director

*[Signature]*  
K. J. Semelsberger  
Senior Vice President-  
Finance and Administration  
(Principal Financial Officer)  
Director

*[Signature]*  
G. A. Childress  
President and Chief Operating  
Officer  
Director

*[Signature]*  
K. D. Hughes  
Vice President and Treasurer  
(Principal Accounting Officer)

*[Signature]*  
W. A. Rajki  
Senior Vice President  
Director

*[Signature]*  
R. W. Bjork  
Director

*[Signature]*  
S. H. Fuller  
Director

*[Signature]*  
L. C. Jones  
Director

*[Signature]*  
J. A. Hughes  
Director

*[Signature]*  
R. L. Swiggett  
Director

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 *K. J. Semelsberger*

K. J. Semelsberger  
Senior Vice President-  
Finance and Administration;  
(Principal Financial Officer)  
Director

Date FEB 28 1984

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

K. J. Semelsberger  
Senior 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. Swiggert  
Director

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

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The consolidated financial statements and the report thereon of Independent Certified Public Accountants appear on pages 5 through 20 of the attached 1983 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 1983 Annual Report to shareholders is not deemed filed as part of this report.

	<u>Page Numbers</u>
	<u>Annual Report</u>
	<u>To</u>
<u>Form</u>	<u>Shareholders</u>
<u>10-K</u>	
<u>F-2</u>	
Report and Consent of Independent Certified Public Accountants	
Report of Independent Certified Public Accountants	8
Consolidated Financial Statements	
Statement of Income, years ended November 30, 1983, 1982 and 1981	9
Balance Sheet, November 30, 1983 and 1982	10
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Business Segment Information	13 - 14
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Consolidated Schedules	
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II - Amounts Receivable From Related Parties And Underwriters, Promoters, And Employees Other Than Related Parties	F-4
VIII - Valuation And Qualifying Accounts	F-5
IX - Short-Term Borrowings	F-6
X - Supplementary Income Statement Information	F-7
World Book Finance, Inc. - Consolidated Financial Statements	
Report of Independent Certified Public Accountants	F-8
Balance Sheet, November 30, 1983 and 1982	F-9
Statements of Income and Retained Earnings, years ended November 30, 1983, 1982 and 1981	F-10
Statement of Changes in Financial Position, November 30, 1983, 1982 and 1981	F-11
Notes to Financial Statements	F-12 - F-15

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.

**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 1983 annual report to shareholders of The Scott & Fetzer Company and appears on page 8 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 23, 1984 on examinations of the consolidated financial statements and financial statement schedules of The Scott & Fetzer Company as of November 30, 1983 and 1982, and for the years ended November 30, 1983, 1982 and 1981, which report is included in this Annual Report on Form 10-K.

*Coopers & Lybrand*  
COOPERS & LYBRAND

Cleveland, Ohio  
January 23, 1984

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE I - MARKETABLE SECURITIES

As of November 30, 1983

(Dollars in thousands)

<u>COLUMN A</u>	<u>COLUMN B</u>	<u>COLUMNS C-E</u>
<u>Type of Security</u>	<u>Principal Amount of Bonds and Notes</u>	<u>Amount Carried in the Balance Sheet</u>
Commercial Paper	\$ 44,000	\$ 42,741
Tax Free Municipal Securities	<u>23,300</u>	<u>23,300</u>
Total	<u>\$ 67,300</u>	<u>\$ 66,041</u>

Marketable securities are carried at cost in the balance sheet. The cost of each security approximates its market value.

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, 1983, 1982, and 1981

<u>Year Ended November 30,</u>	<u>COLUMN A Name of Debtor</u>	<u>COLUMN B Balance at Beginning of Period</u>	<u>COLUMN C Additions</u>	<u>COLUMN D Deductions</u>		<u>COLUMN E Balance at End of Period</u>	
				<u>Amounts Collected</u>	<u>Amount Written Off</u>	<u>Current</u>	<u>Not Current</u>
1983	Robert H. King	\$ 87,500	—	\$ 375	\$ —	\$22,500	\$35,625
1982	Robert H. King	\$137,500	—	\$50,000	—	\$50,000	\$37,500
1981	Robert H. King	\$187,500	—	\$50,000	—	\$50,000	\$87,500

In 1979, the Company made an interest free loan of \$250,000 to Robert H. King, who was Chairman and Chief Executive Officer of World Book, Inc. until March 1983. During this period the loan was repaid in monthly installments of \$4,166.66. Beginning March 1983 the loan is being amortized at \$1,875 per month under an agreement with the Company.



THE SCOTT & PETZER COMPANY AND SUBSIDIARY COMPANIES  
 SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS  
 for the years ended November 30, 1983, 1982, and 1981  
 (Dollars in thousands)

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Additions</u> <u>Charged to Other Accounts - Describe</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Year Ended November 30, 1983 Allowance for Doubtful Accounts	\$12,545	\$ 8,192	\$ 731 (A)	\$ 9,323 (B)	\$12,145
Year Ended November 30, 1982 Allowance for Doubtful Accounts	\$12,022	\$ 7,788	—	\$ 7,265 (B)	\$12,545
Year Ended November 30, 1981 Allowance for Doubtful Accounts	\$12,124	\$ 7,840	—	\$ 7,942 (B)	\$12,022

(A) Reclassified from other balance sheet accounts.

(B) Write-off of uncollectible accounts less recoveries. The 1983 amount also reflects the account reduction related to the disposal of operations.

NOTE: In addition to the expense amounts in Column C the Company charged bad debt expense for \$11,933, \$11,167 and \$11,879 for the years ended November 30, 1983, 1982 and 1981, relating to the sale of receivables to its wholly-owned finance subsidiary, World Book Finance, Inc. under the terms of an operating agreement. The consolidated financial statements of this subsidiary are a part of this form 10-K Report.

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE IX - SHORT-TERM BORROWINGS

for the years ended November 30, 1983, 1982, and 1981

(Dollars in thousands)

<u>COLUMN A</u>	<u>COLUMN B</u>	<u>COLUMN C</u>	<u>COLUMN D</u>	<u>COLUMN E</u>	<u>COLUMN F</u>
<u>Category of Aggregate Short-Term Borrowings</u>	<u>Balance at End of Period</u>	<u>Weighted Average Interest Rate</u>	<u>Maximum Amount Outstanding During the Period</u>	<u>Average Amount Outstanding During the Period (A)</u>	<u>Weighted Average Interest Rate During the Period Based on Monthly Average Balances Outstanding</u>
Year Ended November 30, 1983 Amounts Payable to Banks for Borrowings	\$4,918	12.6%	\$5,427	\$5,016	14.3%
Year Ended November 30, 1982 Amounts Payable to Banks for Borrowings	\$4,971	16.6%	\$8,006	\$6,007	18.3%
Year Ended November 30, 1981 Amounts Payable to Banks for Borrowings	\$4,506	16.5%	\$7,849	\$6,163	16.5%

At November 30, 1983, 1982 and 1981, 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**  
 relating to continuing operations for the years  
 ended November 30, 1983, 1982, and 1981  
 (Dollars in thousands)

<u>Column A</u>	<u>Column B</u>
<u>Item</u>	<u>Charged to</u> <u>Costs and Expenses</u>
<b>Year Ended November 30, 1983</b>	
Maintenance and Repairs	\$ 7,120
Advertising	\$21,651
<b>Year Ended November 30, 1982</b>	
Maintenance and Repairs	\$ 7,081
Advertising	\$17,087
<b>Year Ended November 30, 1981</b>	
Maintenance and Repairs	\$ 7,307
Advertising	\$12,041

Amounts for the amortization of intangible assets, taxes (other than payroll and income taxes), and royalties have been excluded because such amounts were less than 1% of net sales.

**Coopers  
& Lybrand**

certified public accountants

222 South Riverside Plaza  
Chicago, Illinois 60606

in principal areas of the world

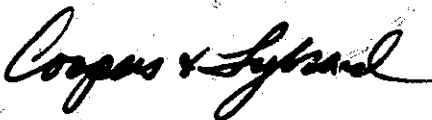
telephone (312) 559-5500  
twx (910) 221-5211  
cables CoLybrand

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

We have examined the consolidated balance sheets of World Book Finance, Inc. and its Subsidiary at November 30, 1983 and 1982, and the related consolidated statements of income and retained earnings, and changes in financial position for the years ended November 30, 1983, 1982 and 1981. 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, 1983 and 1982, and the consolidated results of their operations and changes in their financial position for the years ended November 30, 1983, 1982 and 1981, in conformity with generally accepted accounting principles applied on a consistent basis.



COOPERS & LYBRAND

Chicago, Illinois  
January 23, 1984

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

November 30, 1983 and 1982

(Dollars In Thousands)

ASSETS	<u>1983</u>	<u>1982</u>
Cash and short-term investments	\$ 28,943	\$ 29,855
Finance receivables, net	98,806	101,078
Due from affiliates	6,038	2,357
Accrued interest receivable	283	419
Other assets	<u>570</u>	<u>181</u>
<b>Total assets</b>	<b><u>\$134,640</u></b>	<b><u>\$133,890</u></b>

LIABILITIES		
Current portion of long-term debt	\$ 2,625	\$ 2,625
Accrued interest and other expenses	3,833	3,933
Distributors' reserves	3,010	2,504
Unearned acquisition fees	586	524
Long-term debt	<u>86,875</u>	<u>89,500</u>
<b>Total liabilities</b>	<b><u>96,929</u></b>	<b><u>99,086</u></b>

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	<u>11,710</u>	<u>8,803</u>
<b>Total shareholder's equity</b>	<b><u>37,711</u></b>	<b><u>34,804</u></b>
<b>Total liabilities and shareholder's equity</b>	<b><u>\$134,640</u></b>	<b><u>\$133,890</u></b>

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY  
 CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
 for the years ended November 30, 1983, 1982 and 1981  
 (Dollars In Thousands)

	<u>1983</u>	<u>1982</u>	<u>1981</u>
<b>Revenue</b>			
Facilitating fee	\$12,997	\$12,102	\$ 7,650
Earned finance charges and acquisition fees	7,535	5,337	1,156
Short-term interest income	<u>2,852</u>	<u>4,989</u>	<u>6,333</u>
	<u>23,384</u>	<u>22,428</u>	<u>15,139</u>
<b>Expenses</b>			
Provision for credit losses	1,259	2,067	322
Operating expenses	4,426	3,828	2,178
Interest	<u>11,776</u>	<u>11,022</u>	<u>8,426</u>
	<u>17,461</u>	<u>16,917</u>	<u>10,926</u>
Income before income taxes	<u>5,923</u>	<u>5,511</u>	<u>4,213</u>
Provision for income taxes			
Federal	2,476	2,275	1,750
State and local	<u>540</u>	<u>565</u>	<u>390</u>
	<u>3,016</u>	<u>2,840</u>	<u>2,149</u>
Net income	2,907	2,671	2,064
Beginning retained earnings	<u>8,803</u>	<u>6,132</u>	<u>4,068</u>
Ending retained earnings	<u>\$11,710</u>	<u>\$ 8,803</u>	<u>\$ 6,132</u>

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY  
 CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION  
 for the years ended November 30, 1983, 1982 and 1981  
 (Dollars In Thousands)

	<u>1983</u>	<u>1982</u>	<u>1981</u>
<b>Sources of funds</b>			
From operations			
Net income	\$ 2,907	\$ 2,671	\$ 2,064
Add (deduct) items not requiring funds:			
Decrease (increase) in operations portion of due from affiliates	63	(2,142)	1,302
Decrease (increase) in accrued interest receivable	136	1,156	(1,298)
(Decrease) increase in accrued interest and other expenses	(100)	744	1,911
Increase in unearned acquisition fees	62	242	193
(Increase) decrease in other assets	(389)	(117)	(19)
Total from operations	<u>2,679</u>	<u>2,554</u>	<u>4,153</u>
Increase in distributors' reserves	<u>506</u>	<u>1,058</u>	<u>1,242</u>
Subtotal	3,185	3,612	5,395
Decrease (increase) in cash and short-term investments	<u>912</u>	<u>12,485</u>	<u>(14,292)</u>
	<u>\$ 4,097</u>	<u>\$ 16,097</u>	<u>\$ (8,897)</u>
<b>Application of funds</b>			
(Decrease) increase in finance receivables, net	\$(2,272)	\$11,560	\$ 13,805
Increase (decrease) in nonoperations portion of due from affiliates	3,744	1,912	(327)
Decrease (increase) in long-term debt	<u>2,625</u>	<u>2,625</u>	<u>(22,375)</u>
	<u>\$ 4,097</u>	<u>\$ 16,097</u>	<u>\$ (8,897)</u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)

**1. Accounting Policies**

Principles of Consolidation - The consolidated financial statements include the accounts of World Book Finance, Inc. and its wholly-owned subsidiary, United Consumer Financial Services Company (formerly United Retail Finance Company). 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 and its subsidiary, World Book Encyclopedia, Inc., 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 to be 150% of "fixed charges" for such period. The nonrecourse receivables in the financial statements are stated net of the contract reserve which is described below.

United Consumer Financial Services Company (United Consumer) 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. Purchased receivables for Kirby Group distributors in Canada are financed through an advance to an affiliate, Scott Fetzer Financial Services of Canada, Inc. United Consumer is required by this operating agreement to maintain an allowance 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 terms of the receivables on an effective yield basis. The recourse receivables in the financial statements are stated net of the unearned finance charges and the allowance for credit losses.

Short-Term Investments - These consist of commercial paper and certificates of deposit that 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 to provide for uncollectible receivables. Receivables that are determined to be uncollectible are charged to this 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  
 (Dollars in Thousands)

1. Accounting Policies, continued

Distributors' Reserves - Upon the purchase of recourse receivables, an amount generally equal to 10% of the gross receivable balance is withheld and 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, are remitted to that distributor. In some instances, when a receivable does not meet financing standards, 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 federal tax return of Scott Fetzer. The federal tax provision is calculated on a separate return basis, without any benefit for the surtax exemption.

2. Finance Receivables

The maturities and an analysis of the amounts deducted from finance receivables at November 30, 1983 and 1982 are as follows:

	1983		1982	
	<u>Nonrecourse</u>	<u>Recourse</u>	<u>Nonrecourse</u>	<u>Recourse</u>
Due in one year or less	\$ 34,443	\$28,741	\$ 42,128	\$25,730
Due after one but not more than two years	39,920	8,144	45,866	7,292
Due after two years	<u>25,113</u>	<u>370</u>	<u>25,899</u>	<u>331</u>
Finance receivables	<u>99,476</u>	<u>37,255</u>	<u>113,893</u>	<u>33,353</u>
Contract reserves	(29,671)		(39,850)	
Unearned finance charges		(5,058)		(4,773)
Allowance for credit losses		<u>(3,196)</u>		<u>(1,545)</u>
Finance receivables, net	<u>69,805</u>	<u>29,001</u>	<u>74,043</u>	<u>27,035</u>
Total nonrecourse and recourse finance receivables, net	<u>\$ 98,806</u>		<u>\$101,078</u>	

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
 (Dollars in Thousands)

2. Finance Receivables, continued

The change in the contract reserve from December 1, 1981 through November 30, 1983 is as follows:

	<u>1983</u>	<u>1982</u>
Balance, beginning of year	\$ <u>39,850</u>	\$ <u>38,333</u>
Amount withheld on purchase of receivables	16,201	15,903
Defaulted receivables	(15,152)	(13,787)
Reduction in contract reserve	(10,830)	
Reserves returned per operating agreement	<u>(398)</u>	<u>(599)</u>
	<u>(10,179)</u>	<u>1,517</u>
Balance, end of year	\$ <u><u>29,671</u></u>	\$ <u><u>39,850</u></u>

During 1983, the Company reduced its contract reserve by \$10,830 to reflect the elimination of defaulted receivables previously carried in the balance of the finance receivables. This reduction had no effect on net income in 1983.

3. Distributors' Reserves

The following reflects the changes in the distributors' reserves from December 1, 1981 through November 30, 1983:

	<u>1983</u>	<u>1982</u>
Balance, beginning of year	\$ 2,504	\$ 1,446
Amounts withheld on purchases	4,404	3,873
Repurchases	(3,796)	(2,752)
Refunds to distributors	<u>(102)</u>	<u>(63)</u>
Balance, end of year	\$ <u><u>3,010</u></u>	\$ <u><u>2,504</u></u>

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
 (Dollars in Thousands)

4. Long-Term Debt

Long-term debt at November 30, 1983 and 1982 consisted of the following:

	<u>1983</u>	<u>1982</u>
Promissory notes, repayable in annual installments of \$2,625 to 1997, with a final payment of \$2,750 on August 31, 1998, with 10% interest payable semiannually	\$39,500	\$42,125
Promissory note repayable in five annual installments of \$5,000 commencing June 30, 1985, with 14.75% interest payable semiannually	25,000	25,000
Term loan maturing on August 17, 1985, with 15.25% interest payable quarterly	<u>25,000</u>	<u>25,000</u>
	89,500	92,125
Less current portion	<u>2,625</u>	<u>2,625</u>
Total long-term debt	<u>\$86,875</u>	<u>\$89,500</u>

Aggregate maturities of long-term debt during the five-year period November 30, 1984 through November 30, 1988 are \$2,625, \$32,625, \$7,625, \$7,625 and \$7,625, respectively, and \$31,375 thereafter.

Under the most restrictive covenants of the debt agreements, the Company must maintain shareholder's equity of not less than \$25,000 and may 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, 1983 retained earnings in the amount of \$9,435 were available for the payment of dividends.

EXHIBIT INDEX  
TO FORM 10-K  
THE SCOTT & FETZER COMPANY  
For The Fiscal Year Ended  
November 30, 1983

<u>ITEM 14.</u>	<u>Exhibit</u>	<u>Page Number</u>
(3)(i)	Articles of Incorporation (as amended)	*
(ii)	Regulations	*
(4)(i)	Indenture between The Scott & Fetzer Company and National City Bank for 30 million dollars of notes	*
(ii)	Note Agreement between The Scott & Fetzer Company and The Prudential Insurance Company of America for 40 million dollars of notes	*
(iii)	Note Agreement between World Book Finance, Inc., and The Prudential Insurance Company of America for 50 million dollars of notes	*
(iv)	Note Agreement between World Book Finance, Inc., and The Prudential Insurance Company of America for a 25 million dollar note	*
(v)	Term loans aggregating 25 million dollars between World Book Finance, Inc., and National City and Society National Banks	*
(10)(i)	The Scott & Fetzer Company Stock Option Plan adopted in 1973, as amended	*
(ii)	The Scott & Fetzer Company Stock Option Plan adopted in 1981	*
(iii)	The Scott & Fetzer stock option agreements dated November 22, 1983	34
(iv)	Amendment to stock option agreements made prior to November, 1983	41
(v)	Form of Deferred Compensation Agreement between The Scott & Fetzer Company and	

	certain officers, employee directors, and key employees	*
(vi)	Form of Deferred Compensation Agreement between The Scott & Fetzer Company and nonemployee directors	58
(vii)	Employment Agreement dated June 28, 1983, and amendments thereto, between The Scott & Fetzer Company and Mr. Ralph E. Schey	62
(viii)	Employment Agreement dated September 15, 1982, between The Scott & Fetzer Company and Mr. Gary A. Childress	*
(ix)	Letter of understanding between The Scott & Fetzer Company and Kenneth J. Semelsberger	74
(x)	Letter of understanding dated February 23, 1983, between The Scott & Fetzer Company and K. Wayne Smith	76
(xi)	Amended Contingent Compensation Agreements between The Scott & Fetzer Company and Messrs. Schey, Bebbington, Bradley, Kier, Rajki and Semelsberger	78
(xii)	Consulting Agreement dated February 22, 1983, between The Scott & Fetzer Company and Robert W. Bjork	93
(xiii)	Consulting Agreement between The Scott & Fetzer Company and Stephen H. Fuller	95
(xiv)	Insurance contracts between certain officers and employees for long-term disability and death benefits	*
(xv)	Form of agreement to reimburse medical expenses to directors and certain employees	96
(xvi)	Form of \$50,000 term life insurance policy for nonemployee directors	108
(13)	The Scott & Fetzer's 1983 Annual Report to Shareholders	115
(22)	Subsidiaries of The Scott & Fetzer Company	139

\*Previously filed; incorporated herein by reference.

THE SCOTT & FETZER COMPANY

Stock Option Agreement under the  
Modified 1973 Stock Option Plan

WHEREAS, \_\_\_\_\_ (hereinafter called the "Optionee") is a key employee of The Scott & Fetzer Company (hereinafter called the "Company"); and

WHEREAS, the execution of a Stock Option Agreement in the form hereof has been duly authorized by a resolution of the Board of Directors of the Company or its Compensation and Organization Committee duly adopted on November 22, 1983, and incorporated herein by reference;

NOW, THEREFORE, the Company hereby grants to the Optionee an option to purchase \_\_\_\_\_ Common Shares without par value of the Company ("Common Shares"), at the price of Forty-two and three-eighths of Dollars (\$42.375) per share, and agrees to cause certificates for any shares acquired in respect of this option to be delivered to the Optionee upon receipt of the purchase price in cash, or in whole or in part in Common Shares, or surrender of this option or any portion hereof in accordance with and subject to all conditions and limitations contained in any authorization to the Optionee by the Board of Directors or its Compensation and Organization Committee to surrender this option, all subject, however, to the terms and conditions hereinafter set forth:

1. (a) This option (until terminated as hereinafter provided) shall be exercisable only to the extent of one-fourth of the Common Shares hereinabove specified after the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them for one full year from November 22, 1983 and to the extent of an additional one-fourth of such Common Shares after each of the next three successive years thereafter during which the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them. For the purposes of this paragraph, leaves of absence approved by the Board of Directors of the Company for illness, military or governmental service, or other cause, shall be considered as employment if such leave does not exceed 90 days, or, if longer, if the Optionee's right of re-employment by the Company or a subsidiary is guaranteed either by statute or by contract. To the extent exercisable, this option may be exercised in whole or in part from time to time.

(b) In the event that the Optionee shall have retired under a retirement plan of the Company or a subsidiary, either at normal retirement age or at an earlier age in accordance with such retirement plan, or in the event that the Optionee otherwise ceases to be an employee of the Company or a subsidiary under circumstances which are determined by the Board of Directors to be for the convenience of the Company, in either event prior to this option becoming exercisable to its full extent, this option shall be exercisable to

such additional extent as the Board of Directors authorizes prior to the time at which this Option terminates.

2. This option shall terminate as follows:

(A) On the date upon which the Optionee ceases to be an employee of the Company or a subsidiary, unless otherwise provided in this paragraph 2;

(B) Three months after the Optionee ceases to be an employee of the Company or subsidiary by reason of retirement under a retirement plan of the Company or a subsidiary at or after normal retirement age provided for in such retirement plan or retirement at an earlier age with the consent of the Board of Directors;

(C) At such time after the Optionee ceases to be an employee of Company or a subsidiary as the Board of Directors shall establish but in any event no later than the time prescribed by (E) below;

(D) Nine months after the death of the Optionee if the Optionee dies while an employee of the Company or a subsidiary or within the periods referred to in (B) or (C) above; or

(E) Ten (10) years from the date on which this option was granted.

In the event the Optionee shall intentionally commit an act materially inimical to the interest of the Company or a subsidiary, and the Board of Directors shall so find, this option shall terminate at the time of such act, notwithstanding any other provision of this Agreement. Nothing contained in this option shall limit whatever right the Company or subsidiary might otherwise have to terminate the employment of the Optionee.

3. In the event of

A. The acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. The merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the

aggregate by the persons who were the shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. A change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period;

the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such event, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.

4. This option is not transferable by the Optionee otherwise than by will or the laws of descent and distribution, and is exercisable during the lifetime of the Optionee only by him or by his guardian or legal representative.

5. This option shall not be exercisable if such exercise would involve a violation of any applicable securities law, and the Company hereby agrees to make reasonable efforts to comply with any applicable securities law.

6. The Board of Directors may make or provide for such adjustments in the option price and in the number or kind of Common Shares or other securities covered by outstanding options as such Board in its sole discretion, exercised in good faith, may determine are equitably required to prevent dilution or enlargement of the rights of the optionee 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. No adjustment provided for in this paragraph 6 shall require the Company to sell any fractional shares.

EXECUTED at Cleveland, Ohio this \_\_\_\_ day of \_\_\_\_\_.

THE SCOTT & FETZER COMPANY

By \_\_\_\_\_

The undersigned Optionee hereby acknowledges receipt of an executed original of this Stock Option Agreement.

\_\_\_\_\_  
Optionee



THE SCOTT & FETZER COMPANY  
Incentive Stock Option  
Agreement under the  
1981 Stock Option Plan

WHEREAS, \_\_\_\_\_ (hereinafter called the "Optionee") is a key employee of the Scott & Fetzer Company (hereinafter called the "Company"); and

WHEREAS, the execution of a Stock Option Agreement in the form hereof has been duly authorized by a resolution of the Board of Directors of the Company or its Compensation and Organization Committee duly adopted on November 22, 1983, and incorporated herein by reference;

NOW, THEREFORE, the Company hereby grants to the Optionee an option to purchase \_\_\_\_\_ Common Shares without par value of the Company ("Common Shares") at the price of Forty-two and three eighths Dollars (\$42.375) per share, and agrees to cause certificates for any shares acquired in respect of this option to be delivered to the Optionee upon receipt of the purchase price in cash, or in whole or in part in Common Shares valued at fair market value as provided in paragraph 4, or surrender of this option or any portion hereof in accordance with and subject to all conditions and limitations contained in any authorization to the Optionee by the Board of Directors or its Compensation and Organization Committee to surrender this option, all subject, however, to the terms and conditions hereinafter set forth:

1. This option (until terminated as hereinafter provided) shall be exercisable only to the extent of one-fourth of the Common Shares hereinabove specified after the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them for one full year from November 22, 1983, and to the extent of an additional one-fourth of such Common Shares after each of the next three successive years thereafter during which the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them. For the purposes of this paragraph, leaves of absence approved by the Board of Directors of the Company for illness, military or governmental service, or other cause, shall be considered as employment if such leave does not exceed 90 days, or, if longer, if the Optionee's right of re-employment by the Company or a subsidiary is guaranteed either by statute or by contract. To the extent exercisable, this option may be exercised in whole or in part from time to time.

2. This option shall terminate on the earlier of:

(A) The date upon which the Company or a subsidiary receives notice that the Optionee intends to cease his employment with the Company or a subsidiary (other than by reason of death, retirement, or disability), unless otherwise provided in this paragraph 2;

(B) The date three months after the Optionee ceases to be an employee of the Company or a subsidiary by reason of retirement under a retirement plan of the Company or a subsidiary at or after normal retirement age provided for in such retirement plan or retirement at an earlier age with the consent of the Board of Directors;

(C) At such time after the Optionee ceases (other than by reason of death, retirement, or disability) to be an employee of the Company or a subsidiary as the Board of Directors shall establish but in any event no later than the date three months after the Optionee ceases to be an employee of the Company or a subsidiary.

(D) Twelve months after the death or disability of the Optionee if the Optionee dies or becomes disabled while an employee of the Company or a subsidiary; or

(E) Ten (10) years from the date on which this option was granted.

In the event the Optionee shall intentionally commit an act materially inimical to the interest of the Company or a subsidiary, and the Board of Directors shall so find, this option shall terminate at the time of such act, notwithstanding any other provision of this Agreement. Nothing contained in this option shall limit whatever right the Company or subsidiary might otherwise have to terminate the employment of the Optionee.

3. In the event that Optionee exercises his rights under this Option in whole or in part during the time period commencing on the date ninety days before this Option terminates pursuant to paragraph 2(A), then, as to the shares purchased pursuant to such exercise, the Company shall have the right, at its election, to repurchase such shares from Optionee for the price of Forty-two and three eighths Dollars (\$42.375) per share. Upon notice of such election by the Company, Optionee shall cause certificates for any shares acquired in respect of such election to be delivered to the Company upon receipt of such purchase price in cash.

4. In the event of

A. The acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. The merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. A change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period;

the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such event, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.

5. This option is not transferable by the Optionee otherwise than by will or the laws of descent and distribution, and is exercisable during the lifetime of the Optionee only by him.

6. This option shall not be exercisable if such exercise would involve a violation of any applicable securities law, and the Company hereby agrees to make reasonable efforts to comply with any applicable securities law.

7. Anything in this Option to the contrary notwithstanding, this Option shall not be exercisable while there is outstanding (within the meaning of Section 422(A)(c)(VII) of the Internal Revenue Code) any Incentive Stock Option which was granted before the granting of this Option to the Optionee to purchase stock of the Company or of a corporation which (at the time of the granting of such Option) is a parent or subsidiary corporation of the Company, or is a predecessor corporation of any of such corporation.

8. The Board of Directors may make or provide for such adjustments in the option price and in the number or kind of Common Shares or other

securities covered by outstanding options as such Board in its sole discretion, exercised in good faith, may determine are equitably required to prevent dilution or enlargement of the rights of the optionee 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. No adjustment provided for in this paragraph 8 shall require the Company to sell any fractional share.

EXECUTED at Cleveland, Ohio this \_\_\_\_ day of \_\_\_\_\_ 1984.

THE SCOTT & FETZER COMPANY

By \_\_\_\_\_

The undersigned Optionee hereby acknowledges receipt of an executed original of this Stock Option Agreement.

\_\_\_\_\_  
Optionee

**FURTHER RESOLVED, that each Stock Option Agreement under the Modified 1973 Stock Option Plan entered into by and between the Company and Optionees prior to November 1, 1979, be amended by deleting in it entirety the language relating to Contingent Stock Appreciation Rights granted by this Board of Directors on January 22, 1980, and substituting therefor the language contained in Annex VII attached hereto.**

In the event of

A. The acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. The merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. A change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period;

the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such event, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.

In the event of

A. The acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. The merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. A change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period;

the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such event, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.

**THE SCOTT & FETZER COMPANY**

**Stock Option Agreement under the  
Modified 1973 Stock Option Plan**

**WHEREAS** \_\_\_\_\_ (hereinafter called the "Optionee")  
is a key employee of The Scott & Fetzer Company (hereinafter called the "Company");  
and

**WHEREAS**, the execution of a Stock Option Agreement in the form hereof  
has been duly authorized by a resolution of the Board of Directors of the Company or  
its Compensation Committee duly adopted on November 22, 1977, and  
incorporated herein by reference;

**NOW, THEREFORE**, the Company hereby grants to the Optionee an option  
to purchase \_\_\_\_\_ Common Shares without par value of the Company  
("Common Shares") at the price of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_)  
per share, and agrees to cause certificates for any shares acquired in respect of this option  
to be delivered to the Optionee upon receipt of the purchase price in cash or surrender  
of this option or any portion hereof in accordance with and subject to all conditions  
and limitations contained in any authorization to the Optionee by the Board of Directors  
or its Compensation Committee to surrender this option, all subject, however, to the terms  
and conditions hereinafter set forth:

1. This option (until terminated as hereinafter provided) shall be exercisable  
only to the extent of one-fourth of the Common Shares hereinabove specified after the  
Optionee shall have been in the continuous employ of the Company and a subsidiary  
or either of them for one full year from the date hereof and to the extent of an additional  
one-fourth of such Common Shares after each of the next three successive years thereafter  
during which the Optionee shall have been in the continuous employ of the Company  
and a subsidiary or either of them. For the purposes of this paragraph, leaves of absence  
approved by the Board of Directors of the Company for illness, military or governmental  
service, or other cause, shall be considered as employment if such leave does not exceed  
90 days or, if longer, if the Optionee's right of re-employment by the Company or a  
subsidiary is guaranteed either by statute or by contract. To the extent exercisable, this  
option may be exercised in whole or in part from time to time.

2. This option shall terminate on the earliest of the following dates:

(A) On the date upon which the Optionee ceases to  
be an employee of the Company or a subsidiary, unless he  
ceases to be such employee by reason of death or in a manner  
described in (B) below;

(B) Three months after the Optionee ceases to be  
an employee of the Company or a subsidiary by reason of  
termination of employment under circumstances determined



by the Board of Directors to be for the convenience of the Company, retirement under a retirement plan of the Company or a subsidiary at or after normal retirement age provided for in such retirement plan or retirement at an earlier age with the consent of the Board of Directors;

(C) Nine months after the death of the Optionee if the Optionee dies while an employee of the Company or a subsidiary or within the three-month period referred to in (B) above; or

(D) Ten years from the date on which this option was granted.

In the event the Optionee shall intentionally commit an act materially inimical to the interests of the Company or a subsidiary, and the Board of Directors shall so find, this option shall terminate at the time of such act, notwithstanding any other provision of this Agreement. Nothing contained in this option shall limit whatever right the Company or a subsidiary might otherwise have to terminate the employment of the Optionee.

3. This option is not transferable by the Optionee otherwise than by will or the laws of descent and distribution, and is exercisable, during the lifetime of the Optionee, only by him.

4. This option shall not be exercisable if such exercise would involve a violation of any applicable state securities law, and the Company hereby agrees to make reasonable efforts to comply with any applicable state securities law. If the Ohio Securities Act shall be applicable to this option, it shall not be exercisable unless under said Act at the time of exercise the Common Shares or other security that may be acquired hereunder are exempt, are the subject matter of an exempt transaction, are registered by description or by qualification, or at such time are the subject matter of a transaction which has been registered by description.

5. This option shall not be exercisable if at the time of exercise, such exercise would require registration under the Securities Act of 1933, as amended, or under any similar federal securities law then in effect, of the Common Shares or other securities to be acquired hereunder, and such registration shall not then be effective. The Company shall register the Common Shares or other securities covered by this option under any such law if (i) such registration shall be necessary to the exercise of this option and the Board of Directors shall not determine that such registration would result in undue expense or undue hardship to the Company or (ii) the Board of Directors in its sole discretion shall determine that such registration is desirable to effect the purposes for which this option is granted and would not result in undue expense or undue hardship to the Company.

6. The Board of Directors may make or provide for such adjustments in the option price and in the number or kind of Common Shares or other securities covered by outstanding options as such Board in its sole discretion, exercised in good faith, may determine are equitably required to prevent dilution or enlargement of the rights of the optionee 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. No adjustment provided for in this paragraph 6 shall require the Company to sell any fractional share.

EXECUTED at Cleveland, Ohio this 5th day of December, 1977.

THE SCOTT & FETZER COMPANY

By

Quigg Lohr

The undersigned Optionee hereby acknowledges receipt of an executed original of this Stock Option Agreement and represents that it is his intention that all shares of Common Stock or other securities acquired by him hereunder will be acquired for investment and not with a view to distribution.

\_\_\_\_\_  
Optionee

**FURTHER RESOLVED, that each Incentive Stock Option Agreement under the 1981 Stock Option Plan heretofore entered into by and between the Company and Optionees be amended by deleting paragraph 4 in its entirety and substituting therefore the language contained in Annex V attached hereto;**

4. In the event of

A. The acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. The merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. A change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period;

the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such event, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.

THE SCOTT & FETZER COMPANY  
Incentive Stock Option  
Agreement under the  
1981 Stock Option Plan

WHEREAS, \_\_\_\_\_ (hereinafter called the "Optionee") is a key employee of The Scott & Fetzer Company (hereinafter called the "Company"); and

WHEREAS, the execution of a Stock Option Agreement in the form hereof has been duly authorized by a resolution of the Board of Directors of the Company or its Compensation and Organization Committee duly adopted on November 24, 1981, and incorporated herein by reference;

NOW, THEREFORE, the Company hereby grants to the Optionee an option to purchase \_\_\_\_\_ Common Shares without par value of the Company ("Common Shares") at the price of \_\_\_\_\_ per share, and agrees to cause certificates for any shares acquired in respect of this option to be delivered to the Optionee upon receipt of the purchase price in cash, or in whole or in part in Common Shares valued at fair market value as provided in paragraph 4, or surrender of this option or any portion hereof in accordance with and subject to all conditions and limitations contained in any authorization to the Optionee by the Board of Directors or its Compensation and Organization Committee to surrender this option, all subject, however, to the terms and conditions hereinafter set forth:

1. This option (until terminated as hereinafter provided) shall be exercisable only to the extent of one-fourth of the Common Shares hereinabove specified after the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them for one full year from November 24, 1981, and to the extent of an additional one-fourth of such Common Shares after each of the next three successive years thereafter during which the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them. For the purposes of this paragraph, leaves of absence approved by the Board of Directors of the Company for illness, military or governmental service, or other cause, shall be considered as employment if such leave does not exceed 90 days, or, if longer, if the Optionee's right of re-employment by the Company or a subsidiary is guaranteed either by statute or by contract. To the extent exercisable, this option may be exercised in whole or in part from time to time.

2. This option shall terminate on the earlier of:

(A) The date upon which the Company or a subsidiary receives notice that the Optionee intends to cease his employment with the Company or a subsidiary (other than by reason of death, retirement, or disability), unless otherwise provided in this paragraph 2;

(B) The date three months after the Optionee ceases to be an employee of the Company or a subsidiary by reason of retirement under a retirement plan of the Company or a subsidiary at or after normal retirement age provided for in such retirement plan or retirement at an earlier age with the consent of the Board of Directors;

(C) At such time after the Optionee ceases (other than by reason of death, retirement, or disability) to be an employee of Company or a subsidiary as the Board of Directors shall establish but in any event no later than the date three months after the Optionee ceases to be an employee of the Company or a subsidiary.

(D) Twelve months after the death or disability of the Optionee if the Optionee dies or becomes disabled while an employee of the Company or a subsidiary; or

(E) Ten (10) years from the date on which this option was granted.

In the event the Optionee shall intentionally commit an act materially inimical to the interest of the Company or a subsidiary, and the Board of Directors shall so find, this option shall terminate at the time of such act, notwithstanding any other provision of this Agreement. Nothing contained in this option shall limit whatever right the Company or subsidiary might otherwise have to terminate the employment of the Optionee.

3. In the event that Optionee exercises his rights under this Option in whole or in part during the time period commencing on the date ninety days before this Option terminates pursuant to paragraph 2(A), then, as to the shares purchased pursuant to such exercise, the Company shall have the right, at its election, to repurchase such shares from Optionee for the price of Twenty-Eight & 00 Dollars (\$28.00) per share. Upon notice of such election by the Company, Optionee shall cause certificates for any shares acquired in respect of such election to be delivered to the Company upon receipt of such purchase price in cash.

4. Upon a filing pursuant to any federal or state law in connection with any tender offer for Common Shares (other than a tender offer by the Company) or upon the signing of any agreement for the merger or consolidation of the Company with another corporation or for sale of substantially all of the assets of the Company to another corporation, which tender offer, merger, consolidation or sale if consummated would, in the opinion of the Board of Directors, be likely to result in a change in control of the Company, the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such filing or signing, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares; provided, however, that in the event that any such tender offer, merger, consolidation or sale shall be abandoned, the Board of Directors or its Compensation and Organization Committee may by notice to the Optionee nullify such surrender and reinstate this option, but without prejudice to any payment on such surrender that may have occurred prior to such nullification. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.





**FURTHER RESOLVED**, that each Stock Option Agreement under the Modified 1973 Stock Option Plan entered into by and between the Company and Optionees subsequent to November 1, 1979, be amended by deleting paragraph 3 in its entirety and substituting therefore the language contained in Annex VI attached hereto;

3. In the event of

A. The acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. The merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. A change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period;

the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such event, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.

THE SCOTT & FETZER COMPANY

Stock Option Agreement under the  
Modified 1973 Stock Option Plan

WHEREAS, \_\_\_\_\_ (hereinafter called the "Optionee") is a key employee of The Scott & Fetzer Company (hereinafter called the "Company"); and

WHEREAS, the execution of a Stock Option Agreement in the form hereof has been duly authorized by a resolution of the Board of Directors of the Company or its Compensation and Organization Committee duly adopted on November 25, 1980 and incorporated herein by reference;

NOW, THEREFORE, the Company hereby grants to the Optionee an option to purchase \_\_\_\_\_ Common Shares without par value of the Company ("Common Shares") at the price of \_\_\_\_\_ per share, and agrees to cause certificates for any shares acquired in respect of this option to be delivered to the Optionee upon receipt of the purchase price in cash, or in whole or in part in Common Shares, or surrender of this option or any portion hereof in accordance with and subject to all conditions and limitations contained in any authorization to the Optionee by the Board of Directors or its Compensation and Organization Committee to surrender this option, all subject, however, to the terms and conditions hereinafter set forth:

1. (a) This option (until terminated as hereinafter provided) shall be exercisable only to the extent of one-fourth of the Common Shares hereinabove specified after the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them for one full year from November 25, 1980 and to the extent of an additional one-fourth of such Common Shares after each of the next three successive years thereafter during which the Optionee shall have been in the continuous employ of the Company and a subsidiary or either of them. For the purposes of this paragraph, leaves of absence approved by the Board of Directors of the Company for illness, military or governmental service, or other cause, shall be considered as employment if such leave does not exceed 90 days, or, if longer, if the Optionee's right of re-employment by the Company or a subsidiary is guaranteed either by statute or by contract. To the extent exercisable, this option may be exercised in whole or in part from time to time.

(b) In the event that the Optionee shall have retired under a retirement plan of the Company or a subsidiary, either at normal retirement age or at an earlier age in accordance with such retirement plan, or in the event that the Optionee otherwise ceases to be an employee of the Company or a subsidiary under circumstances which are determined by the Board of Directors to be for the convenience of the Company, in either event prior to this option becoming exercisable to its full extent, this option shall be exercisable to

*J.S.*

such additional extent as the Board of Directors authorizes prior to the time at which this Option terminates.

2. This option shall terminate as follows:

(A) On the date upon which the Optionee ceases to be an employee of the Company or a subsidiary, unless otherwise provided in this paragraph 2;

(B) Three months after the Optionee ceases to be an employee of the Company or a subsidiary by reason of retirement under a retirement plan of the Company or a subsidiary at or after normal retirement age provided for in such retirement plan or retirement at an earlier age with the consent of the Board of Directors;

(C) At such time after the Optionee ceases to be an employee of Company or a subsidiary as the Board of Directors shall establish but in any event no later than the time prescribed by (E) below;

(D) Nine months after the death of the Optionee if the Optionee dies while an employee of the Company or a subsidiary or within the periods referred to in (B) or (C) above; or

(E) Ten (10) years from the date on which this option was granted.

In the event the Optionee shall intentionally commit an act materially inimical to the interest of the Company or a subsidiary, and the Board of Directors shall so find, this option shall terminate at the time of such act, notwithstanding any other provision of this Agreement. Nothing contained in this option shall limit whatever right the Company or subsidiary might otherwise have to terminate the employment of the Optionee.

3. Upon a filing pursuant to any federal or state law in connection with any tender offer for Common Shares (other than a tender offer by the Company) or upon the signing of any agreement for the merger or consolidation of the Company with another corporation or for sale of substantially all of the assets of the Company to another corporation, which tender offer, merger, consolidation or sale if consummated would, in the opinion of the Board of Directors, be likely to result in a change in control of the Company, the Optionee may, during the period beginning on the third and ending on the twelfth business day after a quarterly or annual summary statement of sales and earnings of the Company has been released for publication following such filing or signing, surrender this option and receive cash in an amount equal to the excess of the aggregate fair market value at the date of surrender of the full number of Common Shares covered by this option at such time, without regard to any limited extent to which this option otherwise would be exercisable, over the aggregate option price of such Common Shares; provided, however, that in the event that any such tender offer, merger, consolidation or

sale shall be abandoned, the Board of Directors or its Compensation and Organization Committee may by notice to the Optionee nullify such surrender and reinstate this option, but without prejudice to any payment on such surrender that may have occurred prior to such nullification. For purposes hereof, "fair market value" means the closing price of a Common Share on the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day.

4. This option is not transferable by the Optionee otherwise than by will or the laws of descent and distribution, and is exercisable during the lifetime of the Optionee only by him or by his guardian or legal representative.

5. This option shall not be exercisable if such exercise would involve a violation of any applicable securities law, and the Company hereby agrees to make reasonable efforts to comply with any applicable securities law.

6. The Board of Directors may make or provide for such adjustments in the option price and in the number or kind of Common Shares or other securities covered by outstanding options as such Board in its sole discretion, exercised in good faith, may determine are equitably required to prevent dilution or enlargement of the rights of the optionee 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. No adjustment provided for in this paragraph 6 shall require the Company to sell any fractional share.

EXECUTED at Cleveland, Ohio this 22nd day of December, 1980.

THE SCOTT & FETZER COMPANY

By *[Handwritten Signature]*

The undersigned Optionee hereby acknowledges receipt of an executed original of this Stock Option Agreement.

\_\_\_\_\_  
Optionee

THE SCOTT & FETZER COMPANY  
DEFERRED COMPENSATION AGREEMENT FOR DIRECTOR'S FEES  
(For Nonemployee Directors)

This Agreement, made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by and between The Scott & Fetzer Company (the "Company") and \_\_\_\_\_ (the "Director").

WHEREAS, the purpose of this Agreement is to provide a procedure whereby a nonemployee member of the Board of Directors of the Company may defer receipt of all or a specified part of the fees payable to the Director for services as a Director, including fees payable to a Director for services as a member of a Committee of the Board and fees payable for services on a Board of a Company division, but excluding expense reimbursements ("Fees");

NOW, THEREFORE, the parties agree as follows:

I. Election to Defer

The Director may elect on or before December 31 of any year to defer receipt of all or a specified part of Fees earned for the calendar year following such election and succeeding calendar years until the Director ceases to be a Director of the Company. Any person who becomes a Director during any calendar year, and who was not a Director of the Company on the preceding December 31, may elect, within one month following the beginning of the Director's term, to defer receipt of all or a specified part of Fees for the remainder of such calendar year and for succeeding calendar years. Elections shall be made by written notice delivered to the Executive Committee. An election to defer fees continues from year to year unless terminated by the Director in accordance with Section III.

II. Director's Account

All deferred Fees shall be held in the general funds of the Company. By appropriate accounting entries, the Company shall establish and maintain for the Director an Account ("Account") which shall consist of all amounts credited to the Director under this Agreement. Fees deferred shall be credited to the Director's Account. On the first day of each month such Account balance shall be credited with interest. The monthly interest rate shall be the higher of the six-month \$100,000 Certificate of Deposit rate and the Prime Rate of National City Bank of Cleveland in effect on the last day of the preceding month.

III. Termination of Election

The Director may terminate his election to defer payment of Fees by written notice delivered to the Executive Committee. Such termination

shall become effective as of the end of the calendar year in which notice of termination is given with respect to Fees earned during subsequent calendar years. Amounts credited to the account of a Director prior to the effective date of termination shall not be affected thereby and shall be paid only in accordance with Sections IV, V and VI.

#### IV. Payment From Director's Account

The Director, or his designated beneficiary or estate in the event of death, shall commence receiving the Director's Account balance on the first of the month following (or as soon thereafter as reasonably possible) the earliest to occur of:

- (a) Termination from the Board of Directors; or
- (b) Death.

#### V. Benefit Form

Payment of amounts credited to the Director's Account shall be made in one of the following forms, at the election of the Director:

- (a) Quarterly or Annual installments over a period not to exceed 10 years. The amount of each payment shall equal the Director's Account balance on the day preceding the installment payment divided by the number of payments remaining in the installment period.
- (b) A lump-sum payment.

Such election must be made by written notice delivered to the Executive Committee prior to the date on which the Director ceases to be a Director of the Company.

#### VI. Payment in Event of Death

If a Director should die before all amounts credited to the Director's Account have been distributed, his Account balance shall be paid to his designated beneficiary or, if he has not designated a beneficiary or in the event the designated beneficiary has pre-deceased the Director, to his estate in a lump-sum payment.

The Director shall keep the Company informed, by written notice thereof, of the name of his designated beneficiary. The Director may change his designated beneficiary at any time by written notice to the Executive Committee.

#### VII. Director's Rights

Nothing contained in this Agreement shall be construed as a right of the Director to continue as a member of the Board of Directors.

Amounts credited to the Director's Account under this Agreement shall be for accounting purposes only, and the assets represented by such Account shall remain the sole property of the Company. The Director shall not have the power to direct the Company with respect to the

investment of the balance in his Account. The right of the Director to receive distributions hereunder shall be an unsecured claim against the general assets of the Company.

VIII. Nonassignability

During the Director's lifetime, the right to any deferred Fees and interest thereon shall not be transferable or assignable, or be subject to alienation, encumbrance, garnishment, attachment, execution or levy of any kind, voluntary or involuntary.

IX. Interpretation

The decision of the Executive Committee with respect to any questions arising as to the interpretation of this Agreement, including the severability of any and all of the provisions thereof, shall be final, conclusive and binding.

X. Amendment and Termination

The Company may amend or terminate this Agreement at any time without the consent of the Director, provided, however, that no amendment of this Plan shall operate to annul an election already in effect for the current calendar year or any preceding calendar year, and the Company shall remain liable to the Director and/or his designated beneficiary for the Director's Account balance accrued to the date of amendment or termination.

IN WITNESS WHEREOF, the Company and the Director have affixed their signatures on the date first above written.

THE SCOTT & FETZER COMPANY

By: \_\_\_\_\_

\_\_\_\_\_  
Director



THE SCOTT & FETZER COMPANY  
DEFERRED COMPENSATION AGREEMENT  
FOR DIRECTOR'S FEES  
ELECTION AND/OR DESIGNATION FORM

In accordance with the provisions of the Deferred Compensation Agreement for Director's Fees:

1. I hereby elect

- to defer receipt of \_\_\_ % of Fees payable to me for services as a Director effective \_\_\_\_\_ (1). Unless terminated or changed, this authorization is to remain in effect until I cease to be a Director.
- to change the amount of deferred Fees payable to me for services as a Director from \_\_\_ % to \_\_\_ % effective \_\_\_\_\_. Unless terminated or changed, this authorization is to remain in effect until I cease to be a Director.
- to cancel my deferral of \_\_\_ % of Fees payable to me for services as a Director effective \_\_\_\_\_. (2).

2. I hereby elect to have my deferred Fees paid to me in accordance with the provisions of the Plan in the following manner:

- Quarterly Installments (indicate desired number of installments, not to exceed 40)
- Annual Installments (indicate desired number of installments, not to exceed 10)
- Lump Sum

This election supersedes previous election(s), if any.

3. I hereby designate the following persons as my primary and contingent beneficiaries to receive any unpaid balance in my Account on the date of my death. If both designated beneficiaries have pre-deceased me, I understand that the balance will be paid to my estate. This designation supersedes previous designations made, if any.

Primary Beneficiary:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Social Security Number)

Contingent Beneficiary:\*

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Social Security Number)

\*Receives balance only if Primary Beneficiary has pre-deceased Director.

\_\_\_\_\_  
(Witness) (3)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Director's Signature)

\_\_\_\_\_  
(Social Security Number)

\_\_\_\_\_  
Date

RECEIVED AND ACCEPTED  
FOR EXECUTIVE COMMITTEE:

BY: \_\_\_\_\_ DATE: \_\_\_\_\_

- (1) Must be January 1 of any succeeding year, except for a newly-appointed Director whose term has not yet begun.
- (2) Must be January 1 of any succeeding year.
- (3) Witness required only if beneficiary is designated.

FURTHER AMENDMENT OF AGREEMENT

The Scott & Fetzer Company, an Ohio corporation ("Scott Fetzer"), and Ralph Schey ("Schey") hereby agree as of \_\_\_\_\_, 1984 to amend further the Agreement, dated as of April 7, 1982, as amended as of June 28, 1983, between Scott Fetzer and Ralph Schey as follows:

1. By deleting clause C.3 of paragraph 1 and substituting therefor the following:

3. provide Schey the equivalent of all benefits made available by Scott Fetzer to Schey, whether by insurance or direct payment, at the time his employment is terminated for the full period specified in clauses 1 and 2, and

2. By deleting in paragraph 2 the words "requiring a substantial portion of his time" and substituting therefor the words "as his principal occupation".

3. By deleting clauses A, B, C and D of paragraph 3 and substituting therefor the following:

A. the acquisition or ownership of 30% or more of the voting stock of Scott Fetzer by any person (as the term person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. the merger or consolidation of Scott Fetzer with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of Scott Fetzer immediately prior to such merger or consolidation, sale, or change, or Scott Fetzer ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. a change in the composition of the Directors of Scott Fetzer to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of Scott Fetzer cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of Scott Fetzer, of each new Director of Scott Fetzer was approved by a vote of at least two-thirds of the Directors of Scott Fetzer then still in office who were Directors of Scott Fetzer at the beginning of any such period;

4. By inserting in the second sentence of paragraph 7 after the word "conducted" the phrase "in the City of Cleveland, Ohio".

5. Scott Fetzer and Schey hereby further agree that the Agreement dated as of April 7, 1982, as amended as of June 28, 1983, between Scott Fetzer and Schey, as further amended by the changes set forth in this Further Amendment of Agreement, shall read in the form attached hereto as Exhibit A and, in such form, shall constitute from and

after \_\_\_\_\_, 1984 the agreement between Scott Fetzer and Schey with respect to the matters therein provided.

Executed at Lakewood, Ohio, as of \_\_\_\_\_, 1984.

**THE SCOTT & FETZER COMPANY**

By \_\_\_\_\_

**Ralph Schey**

FURTHER AMENDED AND RESTATED AGREEMENT

The Scott & Fetzer Company, an Ohio corporation ("Scott Fetzer"), and Ralph Schey ("Schey") hereby agree as of \_\_\_\_\_, 1984 that the Amended and Restated Agreement dated as of June 28, 1983 shall read as follows:

1. To induce Schey to continue to serve as chief executive officer of Scott Fetzer for the period commencing June 28, 1983 through August 31, 1989,

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, 1989, Scott Fetzer shall:

1. 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,

2. pay Schey at the rate of \$150,000 per year in periodic installments until August 31, 1989,

3. provide Schey the equivalent of all benefits made available by Scott Fetzer to Schey, whether by insurance or direct payment, at the time his employment is terminated for the full period specified in clauses 1 and 2, and

4. continue in full force and effect without any material change the so called "H. Covert" executive benefits as amended or replaced.

Payments and benefits pursuant to clauses 1, 2 and 3 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 1, 2 and 3, shall continue even if beyond age 65.

In the event that Schey's employment is terminated and the payments specified in clauses 1 and 2 commence, and Schey subsequently dies before all payments have been made, payments pursuant to clauses 1 and 2 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 disability

income plans provided by Scott Fetzer, such payments shall offset any payment under Clause C on a dollar-for-dollar basis in the period they are made.

2. For the 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 as his principal occupation, or dies.

3. In the event of:

A. the acquisition or ownership of 30% or more of the voting stock of Scott Fetzer by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. the merger or consolidation of Scott Fetzer with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of Scott Fetzer immediately prior to

such merger or consolidation, sale, or change, or Scott Fetzer ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. a change in the composition of the Directors of Scott Fetzer to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of Scott Fetzer cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of Scott Fetzer, of each new Director of Scott Fetzer was approved by a vote of at least two-thirds of the Directors of Scott Fetzer then still in office who were Directors of Scott Fetzer at the beginning of any such period;

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, as follows:

A. In 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. In calculating the amount equal to what he would have been entitled to under the General Plan there shall be included all amounts deferred by Schey pursuant to any deferred compensation arrangements with Scott Fetzer.

B. There shall be deducted from any amounts payable pursuant to A above all amounts payable to Schey pursuant to the provisions of the General Plan and any supplemental retirement benefit payable pursuant to any deferred compensation arrangements. Soley for the purpose of determining the amount to be deducted from the retirement benefit pursuant to A above, the same form of payment elected for payment of the retirement benefit hereunder will be assumed for the General Plan and any supplemental retirement benefits.

C. Schey may designate beneficiaries and make elections with respect to the form and manner of payments made pursuant to A and B 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.

D. The amount payable pursuant to A and B above represents a straight life annuity. 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 to Schey and his beneficiary, 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 and B above less any amounts payable to any

beneficiary of Schey under any 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.

E. 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 in the City of Cleveland, Ohio 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. In the event of any inconsistency between this Agreement and any stock option agreement, contingent compensation agreement or other agreement, plan or arrangement providing for benefits to Schey, this Agreement shall control to the extent failure to give it controlling effect would impair any benefit to Schey hereunder or thereunder. This Agreement supersedes the Agreement of August 10, 1979 and the Deferred Compensation 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 Fetzer 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

**Scott Fetzer**

Mr. Kenneth J. Semelsberger  
The Scott & Fetzer Company  
14600 Detroit Avenue  
Lakewood, Ohio 44107

Dear Ken:

The Board of Directors has recognized the valued contribution that you have made during your years of employment with Scott Fetzer and, acting upon the recommendation of its Compensation Committee, has directed me, as Chairman of the Board, to prepare and deliver to you this letter, which revises and supersedes the letter dated as of June 28, 1983, to induce you to continue your employment with Scott Fetzer.

If your employment with Scott Fetzer is voluntarily terminated by you or involuntarily terminated by Scott Fetzer or any successor within one year of any of the following events:

A. the acquisition or ownership of 30% or more of the voting stock of Scott Fetzer by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. the merger or consolidation of Scott Fetzer with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of Scott Fetzer immediately prior to such merger or consolidation, sale, or change, or Scott Fetzer ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. a change in the composition of the Directors of Scott Fetzer to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of Scott Fetzer

cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of Scott Fetzer, of each new Director of Scott Fetzer was approved by a vote of at least two-thirds of the Directors of Scott fetzer then still in office who were Directors of Scott Fetzer at the beginning of any such period;

you shall be entitled to receive within 30 days of termination a lump sum payment in an amount equal to 150% of your annual base pay immediately preceding any such event or, at your option, you shall be entitled to elect to receive said amount in equal monthly installments for a period of either one year or 18 months.

You will continue for a period of 18 months from the date of termination to participate in and receive the benefits of all benefit plans in which you were participating immediately prior to any such event to the same extent as if your employment had continued during those 18 months on the same basis as in effect immediately prior to any such event; and

For purposes of determining eligibility for benefits and years of service under The Scott & Fetzer Company General Pension Plan, your employment will be deemed to have continued until age 55 if at the date of termination you have not reached age 55.

Please acknowledge this inducement and undertaking by Scott Fetzer to you by signing and returning to me a copy of this letter.

Very truly yours,

Ralph Schey  
Chairman of the Board

For The Scott & Fetzer Company  
pursuant to the authorization  
and at the direction of its  
Board of Directors.

Acknowledged:

---

**Scott Fetzer**

Gary A. Childress  
President

February 23, 1983

Dr. K. Wayne Smith  
1004 Woburn Court  
McLean, Virginia 22102

Dear Wayne:

This letter is intended to summarize our discussions and understandings regarding your proposed employment by Scott Fetzer. Prior to the commencement of your employment, we would enter into an employment agreement with a term of three (3) years which would incorporate the following items.

You would be employed as a Vice President of Scott Fetzer and be elected as Chairman and Chief Executive Officer of Scott Fetzer's subsidiary, World Book, Inc. You would report to the President and Chief Operating Officer of Scott Fetzer. As soon as practical, you would be nominated, subject to shareholders' approval, to serve as a member of the Board of Directors of Scott Fetzer. We understand that, except for the limited time required for your services as a director of approximately three corporations, you would be able to devote full time to your duties with Scott Fetzer and World Book. Your employment would begin on May 1, 1983, or sooner if possible.

Your base pay will be \$230,000 per year, and your bonus will be a minimum of \$70,000 for the first full fiscal year of your employment and a pro rata amount in the prior partial year. You must be employed at the end of any fiscal year to be eligible to receive a bonus. Your salary and bonus will be reviewed each year.

The Scott Fetzer Board of Directors will be requested to grant to you at its May meeting options to purchase 7,500 shares of Scott Fetzer common stock under the company stock option plan. Future option grants will be based on the formula used to determine options to be granted to other Scott Fetzer officers.

Rather than those of World Book, you will be entitled to receive the fringe benefits normally granted to Scott Fetzer officers. These include among others, a first-class automobile, membership, dues and related business expenses in a Chicago business club, the so-called "Covert" benefits which are described on an attachment and your moving and relocation expenses as shown on the Scott Fetzer moving policy.



Dr. K. Wayne Smith

2.

February 23, 1983

You would participate in the Scott Fetzer General Pension Plan for Salaried Employees. As part of the employment agreement, we will negotiate some form of retirement supplement which would replace only that portion of your current pension plan benefits which would not vest due to your not completing the current full year of service.

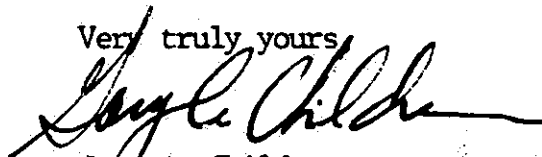
Should your employment terminate (other than voluntarily or for cause in either of which case you would not be entitled to any termination pay), you will receive an amount equal to one and a half years base pay paid in monthly installments. For any period during which termination compensation is being paid to you or for one and a half years after any termination of employment (whichever is longer), you will be prohibited from competing with Scott Fetzer and World Book.

I believe this covers the various points which we have discussed. If you have any questions or wish fuller explanations of any particular item, please call me, or if appropriate, Bob Weber with whom you have previously spoken.

As soon as you have done your review and concur, I will get an approval from our Board of Directors. In the meantime, I understand you are going to meet Bob Bjork; I would like to arrange for you to meet other outside directors with whom you will be working in the future.

As you know, Wayne, I have great respect for your abilities and am sure that your association with Scott Fetzer will be of great benefit to all of us.

Very truly yours



Gary A. Childress  
President

GAC:sa

Attachments

Accepted 3/28/83

K. Wayne Smith

FURTHER AMENDMENT TO CONTINGENT  
COMPENSATION AGREEMENT

THE SCOTT & FETZER COMPANY, an Ohio corporation, and the Executive Employee who has executed the Contingent Compensation Agreement attached hereto as Exhibit A hereby agree, as of \_\_\_\_\_, 1984, that such Contingent Compensation Agreement, as amended as of June 28, 1983, hereby is further amended as follows:

1. By deleting the words "an acquisition or merger" wherever they appear and substituting therefor the words "a change in control" and deleting the words "acquisition or merger" wherever they appear and substituting therefor the words "change in control".

2. By deleting in the paragraph beginning with words "NOW THEREFORE" all of the present text following the words "value per share" and substituting therefor the following:

determined as hereinafter provided in the event of:

A. the acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K or any successor schedule, form, or report under the Exchange Act);

B. the merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. a change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period.

The value per share shall be, for purposes of Clause A, the highest price per share paid by any such person in any such tender offer or offer to purchase, market or privately negotiated purchases, or any other such event or circumstance, for purposes of clause B, the value of the securities or other property received or retained, as the case may be, by shareholders of the Company in any such merger or consolidation, sale, or change, and, for purposes of clause C, the average closing price of Common Shares on the New York Stock Exchange for the first 30 trading days immediately following any such change in the composition of the Directors of the Company.

To assure the Executive Employee that the Company will fulfill in good faith its obligation to pay to the Executive Employee the increased value of such Common Shares as provided

by this agreement, the Company shall make an anticipatory payment to the Executive Employee, upon demand in writing by the Executive Employee, immediately upon any of the following anticipatory events:

(A)(1) The filing under the Exchange Act of a statement on Schedule 14D-1 or any similar document indicating the intent of any person (as the term is used in clause A) to commence a tender offer for or offer to purchase voting stock of the Company as contemplated by clause A;

(A)(2) The filing under the Exchange Act of a Schedule 13D or any similar document indicating the ownership of or intention to acquire voting stock of the Company by any person (as the term is used in clause A) as contemplated by clause A;

(A)(3) The earlier of any public announcement or filing of any document under the Exchange Act indicating the ownership of or intention to acquire in any other manner by any person (as the term is used in clause A) voting stock of the Company as contemplated by clause A;

(B)(1) The approval by the Directors of the Company of a definitive agreement, plan, or instrument pursuant to which the Company would effect a merger or consolidation or sale of its assets as contemplated by clause B;

(B)(2) The approval by the Directors of the Company, or the recommendation by the Directors to the shareholders of the Company, or the approval or adoption by the shareholders of the Company, whichever occurs earlier, of any action that would involve a fundamental change of the Company, as contemplated by clause B; or

(C) The first date of mailing of any proxy soliciting materials, whether by the Company or any other person, soliciting proxies for the election of Directors or, if there is no such solicitation, the date of the notice of the meeting of the Directors or the shareholders at which action is proposed to be taken, as indicated by any such notice, which in any circumstance possibly would result in a change in the composition of the Directors of the Company as contemplated by clause C.

The value per share used in determining the amount of any anticipatory payment shall be, for purposes of clause A, the higher of the closing price per share of the Common Shares on the first full trading day following the filing or announcement or the highest price per share paid or proposed to be paid as indicated in the filing or announcement, for purposes of clause B, the value per share to be received by the shareholders of the Company in respect of the Common Shares or, if greater, the closing price per share of the Common Shares on the first full trading day following any such approval or recommendation, and,

for purposes of clause C, the closing price per share of the Common Shares on the last trading day immediately preceding the mailing of proxy soliciting materials or the giving of notice of a meeting of the Directors or the shareholders. Within two days of the occurrence of the event or circumstance contemplated by any of clauses A, B or C, the Company shall pay to the Executive Employee the difference between the anticipatory payment and the payment that the Company is obligated to make under this agreement, if any. In the event that the event or circumstance in respect of which an anticipatory payment has been made is abandoned or shall not have occurred within a reasonable period of time and as a consequence the Executive Employee shall not have any right to receive from the Company any payment under this agreement, the Executive Employee will return to the Company the amount of any anticipatory payment. The obligation of the Executive Employee to return the anticipatory payment in such event shall be absolute and unconditional, but the Executive Employee shall not be subject to any restriction, limitation, or condition in the use and enjoyment of the anticipatory payment pending occurrence of the event or circumstance in respect of which the anticipatory payment has been made.

3. The Scott & Fetzer Company and the Executive Employee hereby further agree that the Contingent Compensation Agreement attached hereto as Exhibit A, as

further amended by the changes set forth in this Further Amendment to Contingent Compensation Agreement, shall read in the form attached hereto as Exhibit B and, in such form, shall constitute from and after \_\_\_\_\_, 1984 the agreement between The Scott & Fetzer Company and the Executive Employee with respect to the matters therein provided.

Executed at Cleveland, Ohio as of \_\_\_\_\_, 1984.

THE SCOTT & FETZER COMPANY

By \_\_\_\_\_

\_\_\_\_\_  
Executive Employee

CONTINGENT COMPENSATION AGREEMENT

## IN RECOGNITION OF:

a) The valued contribution that John Bebbington (hereinafter called the "Executive Employee") has made during the eight (8) years of his employment with The Scott & Fetzer Company (hereinafter called the "Company");

b) The significant role that the Executive Employee plays in developing and implementing strategic plans for the Company;

c) The considerable benefit to the Company of the continuation of the Executive Employee's employment with the Company;

d) The potential conflict between corporate interests and the Executive Employee's personal interests and the possible desire by the Executive Employee to obtain other employment in the event that an acquisition or merger of the company resulting in a changed role of the Executive Employee within the Company should appear likely; and

e) The likelihood that in an acquisition or merger a higher valuation would be placed upon the Company as compared to its stock market price and that such higher valuation would be an acknowledgement of the contributions and benefits that the Executive Employee has provided to the Company through his effective management,

the Company and the Executive Employee have entered into this agreement

1) To induce the Executive Employee to continue his employment with the Company notwithstanding the possibility of an acquisition or merger of the Company;

2) To induce the Executive Employee to exercise his best judgment on behalf of the Company in the event of a potential acquisition or merger; and

3) To compensate the Executive Employee for his contribution to the added value shareholders would receive as a result of the increased valuation placed upon the Company in an acquisition or merger.

NOW, THEREFORE, the Executive Employee shall have the right to receive from the Company, and the Company shall have the obligation to pay to the Executive Employee, subject to the terms and conditions contained in this agreement, the increase in value, if any, of 50,000 Common Shares of the



Company as measured on a per share basis by the difference between the price per share of \$23.375 and the value per share received by or accruing to the benefit of shareholders of the Company pursuant to any tender offer for Common Shares of the Company (other than a tender offer by the Company) or the merger or consolidation of the Company with another corporation or the sale of substantially all of the assets of the Company to another corporation, which tender offer, merger, consolidation or sale, in the opinion of the Board of Directors, as evidenced by a resolution at a meeting thereof, results in a change of control of the Company. For purposes of this agreement, "acquisition or merger" of the Company shall include the acquisition of ownership of more than 50% of the issued and outstanding Common Shares of the Company, whether by tender offer, merger, consolidation, sale or otherwise. Unless otherwise agreed by the Company and the Executive Employee in writing, the Executive Employee shall be paid in cash in the amount he is entitled to receive under this agreement immediately upon the consummation of the acquisition or merger of the Company.

This agreement and the rights and obligations established hereunder shall terminate upon the first occurrence of any of the following:

- (a) Thirty days after the employment of the Executive Employee with the Company terminates upon the voluntary resignation of the Executive Employee;
- (b) One year after the employment of the Executive Employee with the Company terminates at the request or direction of the Company;
- (c) One year after the Executive Employee reaches the age of 65;
- (d) One year after the death of the Executive Employee; or
- (e) November 27, 1989, at 9:00 a.m., Eastern Standard Time.

In the event that the Executive Employee shall intentionally commit an act materially inimical to the interest of the Company or a subsidiary, and the Board of Directors prior to any acquisition or merger of the company to which this agreement relates shall so find, this agreement and the rights and obligations established hereunder shall terminate at the time of such act, notwithstanding any other provision of this agreement.

Nothing in this agreement shall be construed to:

- (a) Give the Executive Employee any rights whatsoever with respect to Common Shares of the Company;
- (b) Limit in any way the right of the Company to terminate the Executive Employee's employment with the Company at any time; or



Exhibit B

AMENDED AND RESTATED  
CONTINGENT COMPENSATION AGREEMENT

IN RECOGNITION OF:

- a) The valued contribution that \_\_\_\_\_ (hereinafter called the "Executive Employee") has made during the \_\_\_\_\_ (5) years of his employment with The Scott & Fetzer Company (hereinafter called the "Company");
- b) The significant role that the Executive Employee plays in developing and implementing strategic plans for the Company;
- c) The considerable benefit to the Company of the continuation of the Executive Employee's employment with the Company;
- d) The potential conflict between corporate interests and the Executive Employee's personal interests and the possible desire by the Executive Employee to obtain other employment in the event that a change in control of the Company resulting in a changed role of the Executive Employee within the Company should appear likely; and
- e) The likelihood that in a change in control a higher valuation would be placed upon the Company as compared to its stock market price and that such higher valuation would be an acknowledgement of the contributions and benefits that the Executive Employee has provided to the Company through his effective management;

the Company and the Executive Employee have entered into this agreement

- 1) To induce the Executive Employee to continue his employment with the Company notwithstanding the possibility of a change in control of the Company;
- 2) To induce the Executive Employee to exercise his best judgment on behalf of the Company in the event of a potential change in control; and
- 3) To compensate the Executive Employee for his contribution to the added value shareholders would receive as a result of the increased valuation placed upon the Company in a change in control.

NOW, THEREFORE, the Executive Employee shall have the right to receive from the Company, and the Company shall have the obligation to pay to the Executive Employee, subject to the terms and conditions contained in this agreement, the increased value, if any, of \_\_\_\_\_ Common Shares of the Company as measured on a per share basis by the difference between the price per share of \_\_\_\_\_ and the value per share determined as hereinafter provided in the event of:

A. the acquisition or ownership of 30% or more of the voting stock of the Company by any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) as a consequence of a tender offer or offer to purchase, market or privately negotiated purchases, or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment to a report on Schedule 13D, Schedule 14D-1, Schedule 13E-3 or Form 8-K (or any successor schedule, form, or report under the Exchange Act);

B. the merger or consolidation of the Company with another corporation, the sale of all or substantially all its assets to another entity, or any other fundamental change, to the extent that, as a result of such merger or consolidation, sale, or change, either less than 70% of the outstanding voting securities of the surviving or resulting corporation are owned in the aggregate by the persons who were the shareholders of the Company immediately prior to such merger or consolidation, sale, or change, or the Company ceases to be required, and any such surviving or resulting corporation is not required, to file information, documents, and reports under Section 13(a) of the Exchange Act; or

C. a change in the composition of the Directors of the Company to the extent that, during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority of such Directors unless the election, or the nomination for election by the shareholders of the Company, of each new Director of the Company was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning of any such period.

The value per share shall be, for purposes of clause A, the highest price per share paid by any such person in any such tender offer or offer to purchase, market or privately negotiated purchases, or any other such event or circumstance,

for purposes of clause B, the value of the securities or other property received or retained, as the case may be, by shareholders of the Company in any such merger or consolidation, sale or change, and, for purposes of clause C, the average closing price of Common Shares on the New York Stock Exchange for the first 30 trading days immediately following any such change in the composition of the Directors of the Company.

To assure the Executive Employee that the Company will fulfill in good faith its obligation to pay to the Executive Employee the increased value of such Common Shares as provided by this agreement, the Company shall make an anticipatory payment to the Executive Employee, upon demand in writing by the Executive Employee, immediately upon any of the following anticipatory events:

(A)(1) The filing under the Exchange Act of a statement on Schedule 14D-1 or any similar document indicating the intent of any person (as the term is used in clause A) to commence a tender offer for or offer to purchase voting stock of the Company as contemplated by clause A;

(A)(2) The filing under the Exchange Act of a Schedule 13D or any similar document indicating the ownership of or intention to acquire voting stock of the Company by any person (as the term is used in clause A) as contemplated by clause A;

(A)(3) The earlier of any public announcement or filing of any document under the Exchange Act indicating the ownership of or intention to acquire in any other manner by any person (as the term is used in clause A) voting stock of the Company as contemplated by clause A;

(B)(1) The approval by the Directors of the Company of a definitive agreement, plan, or instrument pursuant to which the Company would effect a merger or consolidation or sale of its assets as contemplated by clause B;

(B)(2) The approval by the Directors of the Company, or the recommendation by the Directors to the shareholders of the Company, or the approval or adoption by the shareholders of the Company, whichever occurs earlier, of any action that would involve a fundamental change of the Company, as contemplated by clause B; or

(C) The first date of mailing of any proxy soliciting materials, whether by the Company or any other person,

soliciting proxies for the election of Directors or, if there is no such solicitation, the date of the notice of the meeting of the Directors or the shareholders at which action is proposed to be taken, as indicated by any such notice, which in any circumstance possibly would result in a change in the composition of the Directors of the Company as contemplated by clause C.

The value per share used in determining the amount of any anticipatory payment shall be, for purposes of clause A, the higher of the closing price per share of the Common Shares on the first full trading day following the filing or announcement or the highest price per share paid or proposed to be paid as indicated in the filing or announcement, for purposes of clause B, the value per share to be received by the shareholders of the Company in respect of the Common Shares or, if greater, the closing price per share of the Common Shares on the first full trading day following any such approval or recommendation, and, for purposes of clause C, the closing price per share of the Common Shares on the last trading day immediately preceding the mailing of proxy soliciting materials or the giving of notice of a meeting of the Directors or the shareholders. Within two days of the occurrence of the event or circumstance contemplated by any of clauses A, B or C, the Company shall pay to the Executive Employee the difference between the anticipatory payment and the payment that the Company is obligated to make under this agreement, if any. In the event that the event or circumstance in respect of which an anticipatory payment has been made is abandoned or shall not have occurred within a reasonable period of time and as a consequence the Executive Employee shall not have any right to receive from the Company any payment under this agreement, the Executive Employee will return to the Company the amount of any anticipatory payment. The obligation of the Executive Employee to return the anticipatory payment in such event shall be absolute and unconditional, but the Executive Employee shall not be subject to any restriction, limitation, or condition in the use and enjoyment of the anticipatory payment pending occurrence of the event or circumstance in respect of which the anticipatory payment has been made.

This agreement and the rights and obligations established hereunder shall terminate upon the first occurrence of any of the following:

- a) Thirty days after the employment of the Executive Employee with the Company terminates upon the voluntary resignation of the Executive Employee;

b) One year after the employment of the Executive Employee with the Company terminates at the request or direction of the Company, except in the event that prior to the termination of employment of the Executive Employee a person, as the term is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, has offered to acquire 30% of the issued and outstanding Common Shares of the Company;

c) One year after the Executive Employee reaches the age of 65;

d) One year after the death of the Executive Employee; or

e) November 27, 1989, at 9:00 a.m. Eastern Standard Time.

In the event that the Executive Employee shall intentionally commit an act materially inimical to the interest of the Company or a subsidiary, and the Board of Directors prior to any acquisition or merger of the company to which this agreement relates shall so find, this agreement and the rights and obligations established hereunder shall terminate at the time of such act, notwithstanding any other provision of this agreement.

Nothing in this agreement shall be construed to:

a) Give the Executive Employee any rights whatsoever with respect to Common Shares of the Company;

b) Limit in any way the right of the Company to terminate the Executive Employee's employment with the Company at any time; or

c) Be evidence of any agreement or understanding, express or implied, that the Company will employ the Executive Employee in any particular position or at any particular rate of remuneration.

In the event of any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, appropriate adjustment shall be made in the number of Common Shares referred to above in order to prevent dilution or enlargement of the rights of the Executive Employee and obligations of the Company under this agreement.

EXECUTED at Cleveland, Ohio originally on January 18, 1980  
as of November 27, 1979 and subsequently on \_\_\_\_\_, 1984.

THE SCOTT & FETZER COMPANY

By \_\_\_\_\_

\_\_\_\_\_  
Executive Employee



February 22, 1983

Mr. Robert W. Bjork  
Stuyvesant Management Corporation  
50 Broad Street  
New York, New York 10004

Dear Bob:

Currently, in addition to your Board of Directors' fees as an outside director and the fees you receive as an outside director for World Book, we are also retaining you at the rate of \$1,000 monthly for investment policy advice to the Investment Committee.

Effective March 1, 1983, we would like to change your consulting arrangement as outlined below:

1. As long as you are a Scott Fetzer director or consultant to the Company, it is to be clearly understood that neither you nor any firm that you are associated with will be retained to directly or indirectly manage any Scott Fetzer funds.
2. This new consulting agreement will be for a period of thirteen months cancellable at any time by either party upon thirty days' notice. It will be reviewed and continued or revised no later than March 31, 1984.
3. Your consulting fee will be \$24,000 annually, paid \$2,000 monthly, plus any direct expenses. You will (1) function as the consultant on investment policy for the board's Finance & Investment Committee, (2) be available as an investment advisor to the corporate treasurer in the management of Scott Fetzer's short-term funds, and (3) be available to corporate management for financial policy advice.

In addition to this consulting arrangement, your membership on Scott Fetzer's board and your role as a member of World Book's board, we would also like for you to be the outside Scott Fetzer board member on the Scott Fetzer Financial Services Company board. For this assignment, you would not receive an additional retainer fee but would receive the regular meeting fees of \$300 for an outside director on an inside board.

Mr. Robert W. Bjork

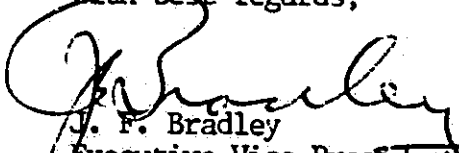
2.

February 22, 1983


We will attempt to coordinate the Financial Services board meetings with those of Scott Fetzer so as to minimize your travel and personal time requirements. As I may have mentioned to you, the other outside director for the present on the Financial Services board will be Ray Davis, who I am sure you remember retired from World Book a couple of years ago and has been working with me on the domestic finance companies and also with United Acceptance in England.

If these arrangements are satisfactory, please sign the enclosed copy and return it to us.

With best regards,

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

Agreed:

  
\_\_\_\_\_  
Robert W. Bjork  
2/27/83  
\_\_\_\_\_  
Date

JFB:sa

- cc: G. A. Childress
- K. D. Hughes
- R. E. Schey
- K. J. Semelsberger



Dr. Stephen H. Fuller  
Harvard Business School  
Humphrey House 12  
Soldiers Field  
Boston, MA 02163

Dear Steve:

In addition to your Board of Directors duties we wish to retain you at the rate of \$4,500 per quarter for the following consulting services:

- 1. Training of Scott Fetzer, its divisions and subsidiaries, personnel with emphasis on managers and future general managers;
- 2. Labor problems at Scott Fetzer plant locations;
- 3. Analysis of human relations goals and advice to divisions and subsidiaries on reaching those goals.

In addition to the fee referenced above, you will be reimbursed your expenses incurred by travelling to and consulting directly with the divisions and subsidiaries.

It is further agreed that all travel schedules shall be prepared well enough in advance so as not to conflict with your normal schedule. All such scheduling will go through Scott Fetzer, as opposed to scheduling with the divisions and subsidiaries.

As you know, I have spoken to the directors about this arrangement and they have enthusiastically endorsed these services.

If these arrangements are satisfactory, please sign the enclosed copy and return it to us.

Sincerely,

Ralph E. Schey  
Chairman and CEO

RES:g

Agreed:

\_\_\_\_\_  
Stephen H. Fuller

\_\_\_\_\_  
Date



**Celtic Life Insurance Company**  
 (A Rhode Island Corporation)  
 Executive Offices: 163 Asylum Street, Hartford, Conn. 06102  
 Home Office: Providence, R.I. 02903

(Herein called the Insurance Company)

CERTIFIES THAT the individual named below has been designated by the participating Employer as eligible for coverage and is insured under the Group Accident and Medical Reimbursement Health Policy No. 200,100

issued to

EXECUTIVE INSURANCE TRUST

(herein called the Group Policyholder)

Schedule of Benefits

Name of Insured: JAMES A. HUGHES  
Effective Date: 4-01-82

	<u>Employee</u>	<u>Dependent</u>
Maximum Benefit		
Accidental Death & Dismemberment*	NONE	NONE
Excess Medical Reimbursement	\$10,000	\$10,000

\*Accidental Death & Dismemberment Benefits Reduce by One Half Upon Attainment of Age 70

Beneficiary: As shown on your most recent Group Enrollment Card or Change of Beneficiary Form on file.

This Certificate outlines the provisions of the Policy which principally affect the Insured Person's coverage. All rights and benefits are determined by the Group Policy which alone constitutes the agreement under which payments are made.

President

**SECTION 1 - DEFINITION OF WORDS AND TERMS**

**BASE HEALTH PLAN** means a health plan which is not part of the plan of benefits provided under this Policy and which provides hospital and major medical benefits which satisfy the minimum benefits required in the Participation Agreement completed by the Participating Employers.

**COMPANY** means Celtic Life Insurance Company, a Rhode Island corporation, whose Executive Office address is 163 Asylum, Hartford, Connecticut 06102

**DEPENDENT** is a person who meets the following requirements:

- (a) is a dependent of the Insured Person as defined in the Internal Revenue Code;
- (b) is covered by a Base Health Plan; and
- (c) who is an Insured Person's:
  - (1) spouse;
  - (2) unmarried dependent child less than 19 years of age;
  - (3) unmarried dependent child who is a full-time student at an accredited college or university; or
  - (4) unmarried dependent child who was totally and permanently disabled prior to reaching 19 years of age.

In addition to natural born or legally adopted children, the word "child" includes an Insured Person's step child or foster child so long as that child resides in the Insured Person's household or is dependent upon such Insured Person for his principal support and maintenance.

**GROUP POLICYHOLDER** means the person, partnership, corporation, or trust so defined on the Title Page of this Policy.

**INSURANCE MONTH** means that period of time beginning at 12:00 A.M. on the first day of any calendar month and ending at 12:00 midnight on the last day of the same month.

**INSURED PERSON** means a full-time employee of a Participating Employer:

- (a) who has been designated by the Participating Employer as eligible for coverage under this Policy;
- (b) who has completed an enrollment card provided by the Company;
- (c) who is covered under a Base Health Plan; and
- (d) for whom premiums for this Policy are being paid.

**PARTICIPATING EMPLOYER** means an employer who has been accepted and approved by the Company for participation in the coverage provided by this Policy.

**PARTICIPATING EMPLOYER'S PLAN YEAR** means that period of time commencing at 12:01 A.M. on the date that the Insurance for a Participating Employer first becomes effective and ending on the same calendar day of the following year. Each succeeding like period will be considered a new Plan Year.

**PHYSICIAN** means a person licensed by law to practice the healing arts.

**POLICY** means this Group Accident and Medical Reimbursement Health Insurance Policy issued by the Company to the Group Policyholder.

SECTION 2 - CONTRACT

**ENTIRE POLICY.** This Policy, the application of the Group Policyholder (a copy of which is attached) and the enrollment cards, if any, of Insured Persons shall constitute the entire contract between the parties. All statements made by the Group Policyholder and by the Insured Persons shall be deemed representations and not warranties. No statement made by any Insured Person shall be used to contest this Policy unless a copy of the enrollment card containing the statement is or has been furnished to such Insured Person or to this Beneficiary.

No agent or other person except an Officer of the Company has authority to make or modify this Policy or extend the time for payment of any premium.

No change in this Policy shall be valid unless made by endorsement or by amendment signed by the Group Policyholder and an Officer of the Company. Any change so made shall be binding on each Insured Person and on all other persons referred to in this Policy.

All pronouns used in this Policy include both the masculine and the feminine gender unless the context indicates otherwise.

**INCONTESTABILITY.** Except for the non-payment of premiums, the Company shall not contest the validity of this Policy as to any Insured Person after it has been in force as to an Insured Person for two years during the lifetime of that Insured Person. No statement made by an Insured Person shall be used to contest the validity of the Policy unless the statement is contained in a written application signed by the Insured Person.

**INFORMATION TO BE FURNISHED.** The Company may require the Group Policyholder and Participating Employers to furnish such information as is necessary to administer this Policy. Clerical error by the Group Policyholder or Participating Employer shall not affect insurance which would otherwise be in force nor continue insurance which would otherwise be terminated. Once such an error is discovered, there shall be an equitable adjustment made in premium.

The Company shall have the right to reasonably inspect the records of the Group Policyholder and Participating Employers which relate to this Policy.

**MISSTATEMENT OF AGE.** Premiums shall be subject to an equitable adjustment when the age of an Insured Person is misstated. If the amount of an Insured Person's benefits is dependent upon that person's age, the benefits shall be the same as that to which he would have been entitled at his correct age and the premium adjustment shall be based on the correct benefit amount.

**CERTIFICATES.** The Company will furnish to the Group Policyholder an individual certificate to be delivered to each Insured Person summarizing the benefits provided under this Policy. These certificates shall not be construed to be a part of this Policy.

**NON-PARTICIPATION.** This Policy does not participate in the profits nor in the surplus of the Company.

**CONFORMITY WITH STATE STATUTES.** Should any provision of this Policy be in conflict with the laws of the state in which the Group Policyholder resides, the provision shall be deemed to be amended to conform to the minimum requirements of such laws.

**ASSIGNMENT.** The insurance and benefits provided under this Policy may not be assigned.

**SECTION 3 - PROVISIONS APPLICABLE TO PARTICIPATING EMPLOYERS**

A Participating Employer has no rights nor privileges under this Policy except as provided in this Section. The Participating Employer shall be liable for all accrued premiums payable with respect to any of its employees who are insured Persons under the terms of this Policy.

**ELIGIBILITY AND EFFECTIVE DATE.** Once an employer meets the requirements of a Participating Employer as defined in Section 1 of this Policy, that employer shall be eligible to be a Participating Employer. As it applies to any Participating Employer, the Effective Date of this Policy shall be the later of:

- (a) the date this Policy is issued;
- (b) the first day of the Insurance Month following the Company's approval of the employer's Participation Agreement; or
- (c) the first day of such other month as agreed upon by the company and the Participating Employers.

**TERMINATION.** Coverage under this Policy shall cease as to the employees of any Participating Employer on the date the Participating Employer:

- (a) no longer meets the requirements of a Participating Employer as defined in Section 1 of this Policy;
- (b) suspends active business operations or is voluntarily or involuntarily placed in bankruptcy or receivership;
- (c) dissolves, merges, or otherwise alters its existence;
- (d) excluded from coverage by Policy change or amendment; or
- (e) stops paying premiums as required by this Policy.

The date specified above as the date on which a Participating Employer's coverage ceases shall be the date on which coverage ceases for all Insured Persons who are employees of that Participating Employer and the Dependents of those Insured Persons.

Once an employer ceases to be a Participating Employer for purposes of this Policy, it will not be deemed to be a Participating Employer unless and until it is re-approved as such by the Company.

**SECTION 4 - ELIGIBILITY OF INSURED PERSONS**

A person shall become eligible for coverage under this Policy on the later of:

- (a) the date his employer becomes a Participating Employer provided the person meets the definition of Insured Person on that date; or
- (b) the first day of the month following the date on which he meets the definition of Insured Person.

**SECTION 5 - INDIVIDUAL EFFECTIVE DATES**

Insurance under this Policy shall become effective as to any Insured Person on the date that Insured Person becomes eligible as stated in Section 4.

**SECTION 6 - INDIVIDUAL TERMINATIONS**

An Insured Person's insurance under this Policy shall cease on the earliest of:

- (a) the date this Policy is terminated;
- (b) the last day of the Insurance Month in which he requests termination of his insurance;
- (c) the last day of the Insurance Month for which the last premium payment is made on his behalf;
- (d) the date he is no longer eligible for insurance under this Policy;
- (e) the date he enters the Armed Forces of any country;
- (f) the date he ceased to be an Insured Person as defined in Section 1;
- (g) the date his employer ceases to be a Participating Employer as defined in Section 1; or
- (h) the date following the day his employment with the Participating Employer terminates.

Ceasing active work shall be the same as termination of employment except:

- (a) if it is due to illness or injury, insurance shall be continued during disability resulting from such illness or injury so long as premium payments are being made on behalf of the Insured Person; or
- (b) if it is due to temporary layoff or approved leave of absence, insurance shall be continued up to the last day of the Insurance Month following the month in which the layoff or leave of absence began provided premium payments are being made on behalf of the Insured Person.

**SECTION 7 - INDIVIDUAL REINSTATEMENTS**

Any Insured Person who returns to work within 12 months after the date his insurance terminates will become re-eligible for insurance under this Policy on the date of his return to active employment provided:

- (a) his employer is still a Participating Employer;
- (b) premium payments are being made on his behalf; and
- (c) he meets the definition of "Insured Person."

**SECTION 8 - TERMINATION OF POLICY**

The group policy for which the benefits are provided hereunder may be terminated in accordance with the terms of the said group master policy.

**SECTION 9 - ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE**

All of the terms of this Policy which are not in conflict with the terms of this Section shall be applicable to this Section. None of the terms contained in this Section shall alter or affect any of the terms contained in any other Section of this Policy other than as set out specifically in this Section.



**SECTION 10 - FACILITY OF PAYMENT**

If any Insured Person or beneficiary is, in the opinion of the Company, legally incapable of giving a valid receipt for any payment due him and no guardian has been appointed, the Company, may, at its option, make such payment to the individual(s) who have, in the Company's opinion, assumed the care and principal support of such Insured Person or beneficiary, except that any payment due a minor shall not exceed \$100.00 per month.

If no beneficiary is designated or surviving at the death of one Insured Person, the Company may, at its option, make payment in one or both of the following ways:

- (a) up to \$250.00, to individual(s) who, in the Company's opinion, has incurred funeral or other expenses incident to the last illness of the Insured Person; and/or
- (b) to the personal representative of the estate of the Insured Person, or to his surviving spouse, parent(s), child or children.

The Company may, at its option, pay any benefits due under Section 2 - Medical Reimbursement Insurance to the Insured Person or the Participating Employer in lieu of paying such benefits to the Group Policyholder.

Any payment made by the Company in accordance with these provisions shall discharge fully the Company to the extent of such payment.

**SECTION 11 - MEDICAL EXPENSE REIMBURSEMENT INSURANCE**

**INSURING CLAUSE.** The Company shall pay benefits under this section in an amount equal to the amount of Eligible Medical Expenses incurred by an Insured Person while insured under this Policy. Eligible Medical Expenses are Medical Expenses incurred by an Insured Person in excess of the Deductible as defined below. The amount of an Insured Person's and his Dependents' Eligible Medical Expenses shall not be more than \$10,000 during his Participating Employer's Plan Year.

**ELIGIBLE EXPENSES.** Two classes of Medical Expense will be eligible for reimbursement under this plan:

**Class I Expenses:** The following expenses will be eligible for reimbursement up to a combined maximum of \$3,000 for the insured and his or her eligible dependents during the employer's plan year. Class I Expenses are defined as expenses incurred for:

- Mental and Nervous Conditions
- Nursing and Nursing Homes
- Cosmetic Surgery
- Alcoholism and Drug Treatment
- Podontic and Restorative Dental Procedures

**Class II Expenses:** Are defined as all other necessary medical expenses (as defined and allowed as a deduction by Section 213 of the Internal Revenue Code of 1954, as amended), incurred by the Insured Employee or for which the Insured Employee becomes obligated on behalf of his eligible dependents.

Medical Expenses which would be reimbursable or payable under the Base Health Plan are not covered under this Policy.

**AGGREGATE MEDICAL BENEFIT.** Eligible Expenses will be reimbursed to each insured employee from funds provided under the Group Aggregate Medical Benefit. Funds available under the Group Aggregate Benefit equal \$600 times the number of employees insured on the first day of the employer's plan year. Each employee draws funds from the group aggregate medical benefit in the amount needed to reimburse him for eligible expense under this plan.

When the Group Aggregate Medical Benefit is not sufficient to pay all eligible medical expense incurred under this plan, additional benefits will be paid not to exceed the maximum benefits stated for Class I and Class II Expenses.

**DEDUCTIBLE.** The Deductible is the amount of benefits payable to an Insured Person or his Dependents under the Base Health Plan, self-insured plans, group dental policies, group vision policies, workers' compensation, and other government programs.

**EXCLUSIONS AND LIMITATIONS.** Eligible Medical Expenses do not include charges:

- (1) for the purchase or rental of air conditioners, air purifiers, motorized transportation equipment, escalators or elevators, swimming pools, and their supplies and attachments;
- (2) incurred for medical treatment which is not recommended, approved and certified as necessary and reasonable by a Physician;
- (3) for medical treatment received in an institution where such medical treatment is provided free of charge or for which the Insured Person does not incur expense or is not legally obligated to pay in the absence of insurance;
- (4) for treatment by a Physician which is provided free of charge or for which the Insured Person does not actually incur expenses or is not legally obligated to pay in the absence of insurance;
- (5) in connection with any sickness contracted or injury sustained as a result of war, declared or undeclared, or any act of war, or any resistance to armed invasion or aggression; and
- (6) which are reimbursable under any government program.

**CLAIMS.** Claims for benefits for Eligible Medical Expenses shall be submitted to the Insured Person's Participating Employer to be verified. The Participating Employer shall remit the verified claims to the Company.

#### SECTION 12 - PREMIUMS

The first premium installment is due on or before the Effective Date of this Policy. All premium installments after the first are due on the first day of the mode selected by the Company and Participating Employer. All premiums must be received by the Company at its Executive Office or some other specified place before the Company is liable for the payment of benefits under this Policy, subject to the terms of Section 13.

#### SECTION 13 - GRACE PERIOD

This Policy has a 31 day grace period. If a renewal premium is not paid on or before the date it is due, it may be paid during the following 31 days. The Policy will stay in force during the grace period.

**LOSS OF LIFE ACCIDENT INDEMNITY**

When injury results in loss of life of the Insured Person within 100 days after the date of the accident, the Company will pay the Loss of Life Accident Indemnity as indicated by the Insured Person's enrollment card up to a maximum of \$200,000.00.

The total payment for all losses resulting from the same accident shall not exceed 1,000,000.00. Where benefits are payable for loss of life, the Company has the right to have an autopsy made where allowed by law. Any loss of life benefit shall be paid to the person designated as the beneficiary by the Insured Person. All other benefits shall be paid to the Insured Person.

**SPECIFIC LOSS ACCIDENT INDEMNITY**

When injury does not result in loss of life of the Insured Person within 100 days after the date of the accident but does result in any one of the following losses within 100 days after the date of the accident, the Company will pay the amount set opposite said loss, but not to exceed Specific Loss Accident Indemnity stated in the Schedule of Benefits. If more than one loss results from one accident, only the amount set opposite one loss (the greater) will be paid.

Both hands	The Specific Loss Accident Indemnity
Both feet	The Specific Loss Accident Indemnity
The entire sight of both eyes	The Specific Loss Accident Indemnity
One hand and one foot	The Specific Loss Accident Indemnity
One hand and the entire sight of one eye	The Specific Loss Accident Indemnity
One foot and the entire sight of one eye	The Specific Loss Accident Indemnity
One hand	50% of the Specific Loss Accident Indemnity
One foot	50% of the Specific Loss Accident Indemnity
The entire sight of one eye	50% of the Specific Loss Accident Indemnity

"Loss," as used above with reference to hand or foot, means complete severance through or above the wrist or ankle joint and, as used with reference to eye, means irrecoverable loss of the entire sight thereof.

**EXPOSURE AND DISAPPEARANCE**

When, by reason of an accident covered by this Policy, the Insured Person is unavoidably exposed to the elements and, as a result of such exposure, suffers a loss for which indemnity is otherwise payable hereunder, such loss shall be covered under the terms of this Policy.

If the body of the Insured Person has not been found within one year of the disappearance, sinking or wrecking of the vehicle in which the Insured Person was riding at the time of the accident, it will be presumed that the Insured Person suffered loss of life resulting from bodily injury caused by an accident at the time of such disappearance, sinking or wrecking.

**DESCRIPTION OF HAZARDS**

**Hazard H-1 -- 24 Hour Business and Pleasure**

The hazards against which insurance is provided under the policy are injuries sustained at any time while this policy is in force as to the Insured Person.

**EXCLUSIONS**

The policy does not cover any loss, fatal or non-fatal, caused by or resulting from (1) injury sustained in consequence of riding as a passenger or otherwise in any vehicle or device for aerial navigation, except as a passenger for transportation only, and not as a pilot or crew member, in any aircraft which has been certified as airworthy by the appropriate authority of the country of its registry; (2) suicide or any attempt thereat while sane or self-destruction or any attempt thereat while insane (in Missouri, while sane); (3) declared or undeclared war or any act thereof; (4) service in the armed forces of any country or international authority.

**DESCRIPTION OF HAZARDS**

**Hazard H-6 -- Common Carrier and Military Air Transport, Business and Pleasure**

The hazards against which insurance is provided under the policy are injuries sustained in consequence of riding as a passenger, and not as a pilot or crew member, in or boarding or alighting from or being struck by:

- (A) any air, land or water conveyance operated under a license for the transportation of passengers for hire;
- (B) any transportation type aircraft operated by the Military Airlift Command (MAC) of the United States or by the similar air transport service of any duly constituted governmental authority of any other country recognized by the Government of the United States.

**EXCLUSIONS**

The policy does not cover any loss, fatal or non-fatal, caused by or resulting from (1) suicide or any attempt thereat while sane or self-destruction or any attempt thereat while insane (in Missouri, while sane); (2) declared or undeclared war or any act thereof; (3) service in the armed forces of any country or international authority; (4) hernia of any kind.

GENERAL PROVISIONS

1. The Company will issue to the Group Policyholder for delivery to each Insured Person an individual certificate describing the benefits to which the Insured Person is entitled under this Policy and to whom payable and limitations and requirements of this Policy pertaining to the Insured Person and where this Policy may be inspected.

2. This Policy, the application of the Group Policyholder and the individual applications, if any, of the Insured Person constitute the entire contract between the parties, and any statement made by the Group Policyholder or by any Insured Person shall in the absence of fraud be deemed a representation and not a warranty. No such statement shall avoid the insurance or reduce the benefits under this Policy or be used in defense to a claim hereunder unless it is contained in a written application, nor shall any such statement of the Group Policyholder, except a fraudulent misstatement, be used at all to void this Policy after it has been in force for two years from the date of its issue, nor shall any such statement of any Insured Person eligible for coverage under this Policy, except a fraudulent misstatement, be used at all in defense to a claim for loss incurred or disability (as defined in the Policy) commencing after the insurance coverage with respect to which claim is made has been in effect for two years from the date it became effective.

3. No change in this Policy shall be valid unless approved by an executive officer of the Company and unless such approval be endorsed hereon or attached hereto. No agent has authority to change this Policy or to waive any of its provisions.

4. Unless not less than thirty-one days prior to the premium due date the Company has delivered to the Group Policyholder or has mailed to the last address as shown by the records of the Company written notice of its intention not to renew this Policy beyond the period for which the premium has been accepted a grace period of thirty-one days will be granted for the payment of premiums accruing after the first premium, during which grace period the Policy shall continue in force, but the Group Policyholder shall be liable to the Company for the payment of the premium accruing for the period the Policy continues in force.

5. If any premium be not paid within the days of grace, this Policy shall thereupon be discontinued, but the Group Policyholder shall, nevertheless, be liable to the Company for the payment of all premiums then unpaid, together with the premiums for the days of grace. If however, written notice is given by the Group Policyholder to the Company, during the grace period, that this Policy is to be discontinued, this Policy shall then be discontinued on the date of receipt by the Company of such written notice, but the Group Policyholder shall, nevertheless, be liable to the Company for the payment of all premiums then unpaid, together with a prorata premium for the period commencing with the date on which the last premium became due and ending with the date of receipt of such written notice by the Company.

6. The Company may cancel this Policy at any time by written notice delivered to the Group Policyholder, or mailed to his last address as shown on the records of the Company, stating when, not less than 31 days thereafter, such cancellation shall be effective: and the Group Policyholder may cancel this Policy at any time by written notice delivered or mailed to the Company, effective on receipt or on such later date as may be specified in the notice. In the event of such cancellation by either the Company or the Group Policyholder, the Company shall promptly return on a prorata basis the unearned premium paid, if any, and the Group Policyholder shall promptly pay on a prorata basis the earned premium which has not been paid. Such cancellation shall be without prejudice to any claim originating prior to the effective date of such cancellation.

7. Written notice of claim must be given to the Company within twenty days after the occurrence or commencement of any loss covered by this Policy, or as soon thereafter as is reasonably possible. Notice given by or on behalf of the claimant to the Company at its Executive Office in Hartford, Connecticut, or to any authorized agent of the Company, with information sufficient to identify the Insured Person shall be deemed notice to the Company.

8. The Company, upon receipt of a written notice of claim, will furnish to the Claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not furnished within fifteen days after the giving of such notice the Claimant shall be deemed to have complied with the requirements of this Policy as to proof of loss upon submitting, within the time fixed in this Policy for filing proofs of loss, written proof covering the occurrence, the character and the extent of the loss for which claim is made.

9. Written proof of loss must be furnished to the Company, in case of claim for loss for which this Policy provides any periodic payment contingent upon continuing loss, within ninety days after termination of the period for which the Company is liable, and in case of claim for any other loss, within ninety days after the date of such loss. Failure to furnish such proof within the time required shall not invalidate nor reduce any claim if it was not reasonably possible to give proof within such time, provided such proof is furnished as soon as reasonably possible.

10. Indemnities payable under this Policy for any loss other than for which this Policy provided periodic payments will be paid as they accrue immediately upon receipt of due written proof of such loss. Subject to due written proof of loss, all accrued indemnity for loss for which this Policy provides periodic payment will be paid each four weeks and any balance remaining unpaid upon the termination of the period of liability will be paid immediately upon receipt of due written proof.

11. Indemnity for loss of life will be payable in accordance with the beneficiary designation and the provisions respecting such payment which may be prescribed herein and effective at the time of payment, if no such designation or provision is then effective, such indemnity shall be paid to the surviving person or persons in the first of the following classes of successive preference beneficiaries (a) spouse: (b) children, including legally adopted children: (c) parents: (d) brothers and sisters: (e) executor or administrator in determining such person or persons, the Company may rely upon an affidavit by a Member of any of the classes of preference beneficiaries. Payment based upon such affidavit shall be full acquittance hereunder unless, before such payment is made, the Company has received at its Executive Office written notice of a valid claim by some other persons. If two or more persons become entitled to indemnity as preference beneficiaries, they shall share equally. Any other accrued indemnities unpaid at the Insured Person's death will be paid to such beneficiary. All other indemnities will be payable to the Insured Person.

12. If any indemnity of this Policy shall be payable to the estate of the Insured Person or to an Insured Person or beneficiary who is a minor or otherwise not competent to give a valid release, the Company may pay such indemnity up to an amount not exceeding one thousand dollars to any relative by blood or connection by marriage of the Insured Person or beneficiary who is deemed by the Company to be equitably entitled thereto. Any payment made by the Company in good faith pursuant to this provision shall fully discharge the Company to the extent of such payment.

13. Subject to any written direction of the Insured Person in an application or otherwise all or a portion of any indemnities provided by this Policy on account of hospital, nursing, medical or surgical service may, at the Company's option, and unless the Insured Person requests otherwise in writing not later than the time for filing proof of such loss, be paid directly to the hospital or person rendering such services, but it is not required that the service be rendered by a particular hospital or person.
14. The Company at its own expense shall have the right and opportunity to examine the person of any individual whose injury or sickness is the basis of claim when and as often as it may reasonably require during the pendency of a claim hereunder and to make an autopsy in case of death, where it is not forbidden by law.
15. No action at law or in equity shall be brought to recover on this Policy prior to the expiration of sixty days after written proof of loss has been furnished in accordance with the requirements of this Policy. No such action shall be brought after the expiration of three years (in Kansas, five years) after the time written proof of loss is required to be furnished.
16. The right to change of beneficiary is reserved to the Insured Person, and the consent of the beneficiary or beneficiaries shall not be requisite to any change in beneficiary.
17. If the age of any individual covered under this Policy has been misstated, the amount payable shall be such as the premium paid for the coverage of such individual would have purchased at the correct age.
18. Any provision of this Policy which, on its effective date, is in conflict with the statutes of the state in which this Policy was delivered or issued for deliver is hereby amended to conform to the minimum requirements of such statute.
19. The Company shall not be liable for any loss to which a contributing cause was the commission of or attempt to commit a felony by the person whose injury is the basis of claim, or to which a contributing cause was such person's being engaged in an illegal occupation.
20. The Company shall not be liable for any loss sustained in consequence of the person whose injury is the basis of claim being intoxicated or under the influence of any narcotic unless administered on the advice of a physician.
21. The Insured Persons shall have the sole right to select their own physician, surgeon and hospital and a physician-patient relationship shall be maintained.
22. This Policy is not in lieu of and does not affect any requirements for coverage by Workmen's Compensation Insurance.

## Certificate of Group Insurance

THE MUTUAL BENEFIT LIFE INSURANCE COMPANY (*herein called the Company*) hereby certifies that the insurance stated herein became effective on the applicable date shown below, subject to the provisions of the below numbered Group Policy or Policies issued by the Company to the Policyholder (*referred to herein as the Policy.*)

person insured **HUGHES J A** certificate no. **18**

policyholder **THE SCOTT & FETZER COMPANY**

group policy G **180,000** ID **180,464** account no. **0000**

R2

### Schedule of Insurance

type of coverage for person insured	effective date of coverage for person insured*	maximum benefit
LIFE	05 01 79	50,000
AD&D-PRINCIPAL SUM	05 01 79	50,000

type of  
dependent coverage

effective date of  
dependent coverage\*

\*Subject to the provision(s) "Deferral of Effective Date," if any, appearing in the following pages of this Certificate.

\*\*The amount of Insurance and benefit determining factors for this coverage appear on the following pages of this Certificate.

*Frank P. Sullivan*

President

*This Certificate replaces any and all Certificates and Certificate Riders, if any, previously issued to you under the policy.*



**SECTION GP**

**GENERAL PROVISIONS**

**GP1 IMPORTANT NOTICE** This Certificate does not modify or extend the liability of the Company as set forth in the Policy, which alone constitutes the contract under which payment will be made.

The Schedule of Insurance summarizes the insurance benefits and amounts provided by the Policy which are based upon the status of the person insured. The benefits and amounts may be terminated or changed in accordance with the provisions of the Policy either as the result of a change in status of the person insured, or amendment or termination of the Policy.

**GP2 ENTIRE CONTRACT** The Policy and Policyholder's application, a copy of which was attached when issued, constitute the entire contract. If it has been determined that any essential data pertaining to any insured individual has been omitted or misstated, the amount of benefit will be that amount which would have been in force if there had been no omission or misstatement.

**GP3 STATEMENTS** All statements made by the person insured will be deemed representations and not warranties. No statement made by the person insured will be used in any contest under the Policy unless a copy of the instrument containing the statement is or has been furnished to such person insured or to his beneficiary. No statement by the person insured relating to his insurability or to the insurability of any of his dependents will be used in contesting the validity of the insurance with respect to which the statement was made after such insurance has been in force prior to the contest for a period of two years during the person's lifetime, nor unless it is contained in a written instrument signed by him.

**GP4 SEX AND NUMBER** Whenever required by the context of this Certificate, the plural includes the singular, the singular the plural, and the masculine the feminine.

**GP5 WHOM TO CONSULT** If additional information about the insurance is desired request should be made to the Policyholder.

**GP6 DEFERRAL OF EFFECTIVE DATE** If the person insured is not actively at work on a full-time basis at his usual place of business on the date his insurance would otherwise become effective, his insurance will not become effective until he returns to work on a full-time basis at his usual place of business.

**SECTION L**

**LIFE INSURANCE PROVISIONS**

**L1 PAYMENT OF CLAIM** Immediately upon receipt of due proof of the death of a person insured, the Company will pay to his beneficiary the amount of insurance which was in force on his life under the Policy on the date of his death. Payment will be made at the Home Office of the Company in a single sum, unless a settlement option is in effect. However, in lieu of payment in a single sum, upon request satisfactory to the Company, received at its Home Office within the thirty day period immediately following the date of death of the person insured, a beneficiary who is a natural person taking in his own right may elect any one of the settlement options then available under the Policy with respect to all or part of the amount payable to such beneficiary in a single sum.

**L2 BENEFICIARY** The person insured has the right on his sole signature to designate a beneficiary and from time to time upon request satisfactory to the Company to change the beneficiary and to request that the amount of insurance be payable to the beneficiary at his death under any one of the settlement options then provided by the Policy, provided that the beneficiary is a natural person taking in his or her own right. Any such request that payment be made under a settlement option shall be effective immediately upon receipt at the Company's home office. Any such request to change a beneficiary shall be effective immediately upon receipt at the Company's home office or, if mutually agreed to by the Company and the Participating Employer, at the Participating Employer's main office, and shall relate back and take effect as of the date the person insured signed such request, provided his insurance was in force on that date. If it has been agreed that requests to change beneficiaries may be received at the Participating Employer's main office, any beneficiary designations received at the Participating Employer's main office must be made in a form and in a manner which has received prior approval of the Company. Any such request shall be without prejudice to the Company on account of any payment made before receipt of such request.

If at the death of the person insured there is more than one designated beneficiary then entitled surviving the insured, and if in the designation of such beneficiaries the person insured has not specified their respective interests or the order in which they become entitled, such surviving designated beneficiaries shall share equally. If any beneficiary should predecease the person insured, the rights and interest of such beneficiary shall automatically terminate.

If at the death of the person insured no beneficiary was named, or if no named beneficiary survives the person insured, the amount of insurance will be paid, in a single sum, to his spouse, if living; otherwise in equal shares to the then living children of the person insured, if any, or, if none, to the father and mother of the person insured, share and share alike or to the survivor of them, or, if none, then to the executors or administrators of the person insured.

Any application for an individual insurance policy in accordance with either of the conversion privileges described in Sections L3 and L4, submitted in connection with the termination of the total amount of insurance under the Policy on the life of a person, which contains a beneficiary designation different from the last beneficiary designation under the Policy on the life of a person, which contains a beneficiary designation different from the last beneficiary designation under the Policy, shall constitute a change of beneficiary under the Policy to the person so designated in such application and shall be effective immediately upon receipt at the Company's home office. Such change of beneficiary shall be without prejudice to the Company on account of any payment made before the receipt of said application.

**L3 CONVERSION PRIVILEGE IF INDIVIDUAL INSURANCE IS TERMINATED** Any person insured whose insurance, or any portion thereof, is terminated for any reason except discontinuance or amendment of the Policy, discontinuance of any required contributions by the person insured or discontinuance of his employer's participation in the Trust under which the insurance is provided may obtain, without evidence of insurability, a life insurance policy, without disability or other supplemental benefits, insuring his life under any plan then customarily issued by the Company, except term insurance, provided that, within 31 days following the date his insurance was terminated he (1) applies for the policy in form acceptable to the Company and (2) pays the premium required by the new policy applicable to the class of risk to which he belongs. The new policy will take effect at the end of the 31st day following the date of termination of insurance and will be issued at his attained age (nearest birthday) as of its effective date and will be for an amount not greater than the amount terminated.

**L4 CONVERSION PRIVILEGE IN OTHER CIRCUMSTANCES** Any person insured whose insurance, or any portion thereof, is terminated because of the discontinuance or amendment of the Policy or discontinuance of his employer's participation in the Trust

**SECTION L**

**LIFE INSURANCE PROVISIONS (continued)**

under which the insurance is provided and who has been insured under the Policy for at least five years prior to the date of termination may obtain, without evidence of insurability, a life insurance policy, without disability or other supplemental benefits, insuring his life under any plan then customarily issued by the Company, except term insurance, provided that, within 31 days following the date his insurance was terminated he (1) applies for the policy in form acceptable to the Company and (2) pays the premium required by the new policy applicable to the class of risk to which he belongs. The new policy will take effect at the end of the 31st day following the date of termination of insurance and will be issued at his attained age (nearest birthday) as of its effective date. The maximum amount of insurance which will be issued under the new policy is \$2,000 or, if less, the amount of insurance that was terminated less any amount of insurance to which he may become entitled under any group insurance policy issued within 31 days after the date of termination by this Company or any other insurer.

**L5 BENEFIT AFTER TERMINATION OF INSURANCE** If a person who is entitled to apply for an individual insurance policy, as provided in Section L3 or Section L4 above, dies within the 31 day period permitted for application, the maximum amount of insurance to which he was entitled to apply will be paid to his beneficiary in accordance with the other provisions of the Policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

**L6 SPENDTHRIFT CLAUSE** To the extent permitted by law, the benefits or payments under the Policy, except as herein provided, shall not be assignable or otherwise transferable, nor subject to commutation, encumbrance or alienation and shall not be subject to any claim of any creditor of any person insured or of any beneficiary, or to any legal process by any creditor of the person insured or beneficiary.

Notwithstanding any foregoing provisions to the contrary, the person insured may, subject to the following conditions, assign his interest under the Life Insurance and Accidental Death and Dismemberment provisions of the Policy, including, but not limited to, the right to designate and change the beneficiary and to elect settlement options and to exercise the appropriate conversion privilege contained therein:

- 1. The assignment must be absolute in form with the person insured retaining no further interest under the Policy.
- 2. The assignment may be made only to one of the following:

The spouse of the person insured, his child, parent, brother, sister or the trustee of a trust established by him for the benefit of one or more of his spouse, children, parents, brothers or sisters.

**AMEND. F5 (7/68)**

**L7 CONTINUANCE OF INSURANCE PROTECTION** If, prior to his 65th birthday, a person insured under the Policy becomes totally disabled, as defined in Section L8, and remains continuously so disabled for a period of six months following the commencement of such disability, or until the date of his death, if earlier, insurance protection on his life will be continued after the discontinuance of premium payments for his insurance during the continuance of such disability, for a period of one year following the commencement of such disability. Satisfactory proof must be furnished to the Company, at no expense to the Company, that such disability existed continuously during such one year period or, if earlier, until the date of his death.

If such disability commenced prior to such disabled person's 60th birthday, his insurance protection under the Policy will be further continued during the continuance of such disability after the expiration of the one year period referred to above if such disabled person:

- (a) within one year of the commencement of disability furnishes to the Company, at his own expense, satisfactory proof that he is and has been continuously disabled as defined in Section L8 for at least six months.
- (b) each year thereafter furnishes to the Company, at his own expense, satisfactory proof that he is and has been continuously disabled as defined in Section L8, and
- (c) agrees to be personally examined by a physician appointed by the Company, at a place and time and in a manner determined by the Company, provided that such examination will not be required more than once a year.

**SECTION L LIFE INSURANCE PROVISIONS (continued)**

Upon the death of such disabled person satisfactory proof must be furnished to the Company, at no expense to the Company, that such disability existed continuously from the date such proof was last submitted until his death.

The amount of insurance protection continued on the life of a disabled person will be an amount equal to the amount of insurance which would otherwise be applicable to him in accordance with Section B of the Policy were he not disabled.

Failure to furnish any proof or to be examined as required by this Section L7 within the applicable time limits will not deprive the disabled person of the continuance of insurance protection provided by this Section L7 if it is shown not to be reasonably possible to do so and the requisite proof is furnished or examination made as soon as it is reasonably possible.

The insurance protection will be continued even though the Policy is discontinued after disability has been established.

If an individual policy has been issued in accordance with the conversion privilege described in Section L3 or L4 in connection with the termination of the total amount of insurance under the Policy on the life of a person, no payment under the Policy will be made at the death of such person unless the individual policy is surrendered to the Company, without any claim other than a refund of all premiums paid for the individual policy less any payments made by the Company and any indebtedness outstanding.

**L8 DEFINITION OF DISABILITY** The disability must result solely from disease, physical or mental, or bodily injury and must be of such nature that the person is prevented from engaging in any business or occupation or performing any work for remuneration or profit.

**L9 TERMINATION OF DISABILITY BENEFIT** The insurance protection provided by Section L7 will be terminated immediately when a person ceases to be disabled as defined in Section L8 or fails to submit proof or refuses to be examined as required in Section L7.

When the insurance protection on the life of a person terminates, in accordance with the preceding provisions of this Section L9, such person will be entitled to rights and benefits under the conversion privilege described in Section L3 during the thirty-one day period following such termination, unless the Policy is then in force and, within such thirty-one day period, the Policyholder resumes premium payments for his insurance under the Policy and he resumes any required payments to the Policyholder, in which event his insurance may be reinstated, in accordance with and subject to the other terms and provisions of the Policy.

A disabled person will also be entitled to rights and benefits under the conversion privilege described in Section L3 with respect to the amount of any insurance protection reduced or terminated in accordance with the provisions of Section L7, during the thirty-one day period following such termination or reduction.

**L10 EXCLUDED RISKS** Disability is not a risk assumed if it results directly or indirectly from intentionally self-inflicted injury of any kind; war, or any act incident thereto; service in the military, naval or air forces of any country, combination of countries or international organization at war, whether declared or undeclared; or participation in a riot or insurrection or any act incident thereto.

**L11 LIMITATIONS** The provisions of Section L7 apply only to disability occurring while the person insured is a member of an eligible class of the general group, and do not apply to any disability occurring after the insured's membership in the general group has been terminated, or after his membership in an eligible class of the general group has been terminated, or after the discontinuance of the policy, or during the thirty-one day period referred to in Section L5.

**L12 TERMINATION OF INSURANCE** The Policy provides that insurance on the life of the person insured shall automatically terminate upon the date of the occurrence of the earliest of the following events, except as provided in the Disability Benefit summarized in this Certificate:

- (a) termination of membership in the general group or in an eligible class of the general group.\*
  - \*termination of membership in the general group or in an eligible class of the general group means (i) a change in the person insured's status, (ii) amendment of the Participating Employer's Agreement to Participate under the Trust to terminate the Life Insurance with respect to the class to which the person insured belongs, or (iii) cessation of Participation under the Trust by the person insured's Employer.
- (b) discontinuance of the Policy or amendment of the Policy to terminate the insurance of the eligible class to which the person insured belongs;
- (c) failure to make, when due, any required contributions.

**SECTION ADD ACCIDENTAL DEATH AND DISMEMBERMENT BENEFIT**

The benefits described below are provided under and subject to the terms and conditions of an Agreement entitled Indemnity for Accidental Death or Dismemberment, attached to and made a part of the Policy. The following terms and conditions do not modify or extend the liability of the Company as set forth in the Agreement, which, as a part of the Policy, constitutes the contract under which payment of benefits will be made.

**ADD 1 ACCIDENTAL DEATH BENEFIT** If accidental bodily injury sustained by a person insured under the Policy results directly and independently of all other causes, in his death within ninety days after the date of such injury, the amount of insurance otherwise payable upon the death of the person insured under the Policy will be increased by the applicable Accidental Death and Dismemberment Benefit Principal Sum referred to in the Schedule of Insurance of this Certificate, subject to the further provisions and limitations hereafter stated.

**ADD 2 ACCIDENTAL DISMEMBERMENT BENEFIT** If accidental bodily injury sustained by a person insured under the Policy results, directly and independently of all other causes, in any of the following losses within ninety days after the date of such injury, the Company will pay to the person insured the amount of benefit indicated, subject to the further provisions and limitations hereafter stated:

for loss of	amount of benefit
one hand, one foot or sight of one eye	One-half the Accidental Death & Dismemberment Benefit Principal Sum
any two of the above	The Accidental Death & Dismemberment Benefit Principal Sum

As used above, the terms loss of a hand, loss of a foot, or loss of sight of an eye mean, respectively, the severance of the hand at or above the wrist, the severance of the foot at or above the ankle, and the total and irrecoverable loss of the sight of the eye.

**ADD 3 RISKS NOT ASSUMED** Accidental death or dismemberment is not a risk assumed under the Accidental Death or Dismemberment provisions of the Policy if it results directly or indirectly from

- (a) war, or any act of war, whether declared or undeclared, riot or insurrection or any act incident to riot or insurrection when the person is a participant in such riot or insurrection;
- (b) service in the armed forces of any country, combination of countries or international organization, whether or not it is at war, unless such injuries are sustained while the insured is off duty;
- (c) any disease, physical or mental, or any infection other than a pyogenic infection occurring through and with an accidental cut or wound;
- (d) commission of any assault or felony by the person insured;
- (e) suicide, or any attempt at suicide, while sane or insane; or
- (f) intentionally self-inflicted injury of any kind, while sane or insane.

**ADD 4 LIMITATIONS** The benefits provided by the Accidental Death or Dismemberment provisions of the Policy are subject to the following limitations:

- (a) the total amount payable as an indemnity for death and dismemberment, or for either of them, by reason of the injury of a person insured as a result of any one accident cannot exceed the applicable Accidental Death and Dismemberment Benefit Principal Sum; and
- (b) the Accidental Death or Dismemberment provisions of the Policy apply only to an injury to a person insured occurring while his life insurance under the Policy is in force, and do not apply to an injury occurring during the thirty-one day period

**ENDORSEMENTS**

Effective as of the effective date of the person insured's insurance evidenced by the Certificate to which this Endorsement is attached, said Certificate is modified as follows:

Section L6 of the Certificate, entitled "SPENDTHRIFT CLAUSE," is modified to the extent that item 2 in AMEND. F 5 (7/68) is changed to read as follows:

2. The assignment may be made only to one of the following:

The spouse of the person insured, his child, parent, brother, sister or the trustee of a trust established by him for the benefit of one or more of his spouse, children, parents, brothers or sisters, or, if requested by the Participating Employer in its Application for Participation and approved by the Company and done in a manner which has received the prior consent of the Company, the assignment may be made to such Participating Employer or a trust established by such Participating Employer.

# Scott Fetzer

## 1983 Annual Report

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**"We are exploring ways to create a more entrepreneurial environment, both in our new business activities as well as in our more traditional businesses."**

**RALPH SCHEY**  
Chairman and  
Chief Executive Officer

**"We enter our 70th year with a world-wide reputation as a manufacturer and marketer of high quality products for the home, family and industry."**

**GARY A. CHILDRESS**  
President and  
Chief Operating Officer

## About the Company

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Scott Fetzer, founded in 1914, is a diversified manufacturer and marketer of high quality products for the home, family and industry.

Headquartered in Westlake, Ohio, the Company and its subsidiaries employ approximately 14,000 persons<sup>1</sup> worldwide.

The Company's corporate strategy relies on targeting specific customer needs and desires and then manufacturing and marketing products and services that satisfy these needs. 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.

## Corporate Information

### Corporate Office

14600 Detroit Avenue • Lakewood, Ohio 44107  
Telephone 216/228-6200 • Telex 810/421-8128  
After April 1, 1984:  
28800 Clemens Road • Westlake, Ohio 44145  
Telephone 216/892-3000 • Telex 810/421-8128

### Annual Meeting

The annual meeting of shareholders will be held on Tuesday, March 27, 1984, at 10:30 a.m. at the Westlake Holiday Inn, 1100 Crocker Road, Westlake, Ohio 44145.

### Form 10-K Report

Copies of The Scott & Fetzer Company'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

The Scott & Fetzer Company's 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.

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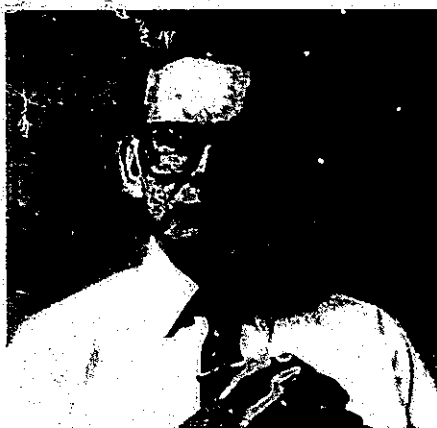
## Selected Financial Data

(Dollars in thousands except per share data)

Fiscal Year Ended November 30	1983	1982	1981	1980	1979
<b>OPERATIONS</b>					
Net sales and other revenue	\$629,563	\$558,838	\$607,453	\$584,473	\$633,613
Income from continuing operations					
before income taxes	51,509	41,809	50,039	30,896	54,216
Income from continuing operations	28,217	23,223	25,187	19,575	29,421
Return on net sales and other revenue					
from continuing operations	4.5%	4.2%	4.1%	3.3%	4.6%
Income from discontinued operations	4,007	3,869	3,880	3,494	4,675
<b>PER SHARE DATA</b>					
Earnings from continuing operations	4.20	3.46	3.47	2.65	3.99
Earnings from discontinued operations	.60	.58	.54	.47	.63
Dividends paid	1.80	1.80	1.80	1.80	1.70
Book value	32.45	29.40	27.13	25.04	23.76
Market price range	49 $\frac{1}{4}$ -35	36 $\frac{3}{8}$ -25 $\frac{1}{2}$	30 $\frac{3}{4}$ -21 $\frac{1}{8}$	25 $\frac{3}{8}$ -17 $\frac{1}{4}$	30 $\frac{7}{8}$ -22
Price/earnings ratio	10-7	9-6	8-5	8-6	7-5
<b>BALANCE SHEET DATA</b>					
Current assets	303,266	252,654	273,153	263,095	271,268
Current liabilities	147,241	122,651	133,104	117,459	128,067
Working capital	156,025	130,003	140,049	145,636	143,201
Current ratio	2.1	2.1	2.1	2.2	2.1
Property, plant and equipment, net	85,181	81,970	82,827	83,609	78,651
Total assets	445,067	403,790	405,794	394,043	395,376
Long-term debt	68,163	72,786	76,901	79,595	82,346
Shareholders' equity	214,867	194,085	184,000	185,079	174,968
Return on shareholders' equity	15.0%	14.0%	15.8%	12.5%	19.5%
<b>YEAR-END DATA</b>					
Shares outstanding (000's)	6,622	6,601	6,781	7,390	7,364
Average shares outstanding (000's)	6,710	6,708	7,252	7,388	7,373
Number of shareholders of record	5,781	6,393	7,105	7,937	8,119
Number of employees	14,081	15,439	16,618	16,225	17,934

Results prior to 1983 have been restated to report continuing and discontinued operations separately.

## The Challenge to Grow — 1984 and Beyond



*...we have learned some valuable lessons and insights about growth that will benefit us in the future.*

Since 1980 Scott Fetzer has been fighting a recession in a number of its businesses. In some cases, "holding our own position" commanded a higher priority than a redirection of assets into activities with better long-term potential. During this four-year period, we have learned some valuable lessons and insights about growth that will benefit us in the future, these experiences being prefaced with an indelible impression that there is no single path to follow to assure successful growth.

We believe that the following factors will contribute measurably to our success in growing our businesses:

- The willingness to enthusiastically seek and sponsor change rather than react to change will automatically improve our expectations and our actual results. Many of the changes that are occurring or will occur in the

For the past five years, the subject of growth has received increasing attention at Scott Fetzer. But it was not until the publication of the 1982 annual report that we highlighted the topic. Because of its importance, we are continuing the special emphasis in this report.

During 1983 the subject of growth became an even higher priority at Scott Fetzer. This occurred at a time when our operations were gaining momentum because we were part of a general improvement in our national economic growth that favorably affected most of our operating units. Nevertheless, the recession of 1981-1982 created a greater awareness that we could not rely on external events to help us grow, but that we had to develop new and innovative approaches beyond our existing businesses and markets. The events of 1983 underlined a well-known adage — it is easier to grow in a growing economy or industry than to grow in a stagnant economy or industry. Since the quantity and quality of general economic growth will not be indefinitely sustainable, the current improvements cannot be viewed with a sigh of relief that the bad times are over but rather as a stop at an oasis that will enable us to be fresher and stronger for the challenging journey into the future.



*We are fortunate to have a group of very hard-working managers who endorse the need for growth without forsaking our successful existing businesses.*

future — population changes, income changes, work force composition, etc. — are already predictable and unalterable and we will be more successful by responding positively to those changes over which we have little or no control.

- Innovation and creativity are critical elements for sponsoring change. Innovation and creativity breed the self-confidence necessary to replace complacency. Tradition is an important part of stability but it cannot justify looking backward instead of forward.

- Much has been written and said about the role of entrepreneurship in the development of new businesses. We are exploring ways to create a more entrepreneurial environment, both in our new business activities as well as in our more traditional businesses. We are cognizant of the motivational effect of a challenging environment, rather than simply an agreeable environment. The entrepreneurial environment demands greater willingness to accept higher risk and to demand higher rewards. It is our role as leaders in our Company to make the challenge of new opportunities more exciting while still taking care of our existing businesses which provide the financial resources to feed growing businesses.

- People decisions are the critical success factors in new and growth businesses: first, because the businesses in which we are primarily interested are more brain-oriented than they are hardware-oriented and, second, because the impetus required to get a new business launched requires a commitment of people to the ownership of an idea rather than a financial commitment to a new plant or equipment.

While continuing to maintain significant autonomy in each of our operating units, we shall give greater encouragement to the development of a bench team of high achievers throughout the Company. Because of the recognized and accepted need for this change, I am confident that we will achieve considerable progress in this activity in 1984 and beyond.

- Finally, there isn't any substitute for hard work and a disciplined use of our time to be a successful grower of businesses. Simply put, the good idea that is not aggressively and intelligently pursued is almost worse than no idea at all. In some ways we have tried to create an instant society in our country — instant coffee, instant soup, instant success, etc. — and the recognition that it takes longer to grow pearls than to grow lemons is frequently overlooked.



*...the good idea that is not aggressively and intelligently pursued is almost worse than no idea at all.*

We are fortunate to have a group of very hard-working managers who endorse the need for growth without forsaking our successful existing businesses. Given this self-perpetuating stimulus, growth will be undertaken with enthusiasm and vigor.

RALPH SCHEY  
Chairman and  
Chief Executive Officer

February 16, 1984

12.0.5.

## Letter to Shareholders



*Scott Fetzer owes much of its strength to the fact that the Company has exceptionally strong operating units.*

### Dear Shareholder:

During the recent economic downturn, Scott Fetzer had better results than most companies and in 1983, when the economy turned around, Scott Fetzer again outperformed the norm. It's good to be strong on both the down and up sides of the economic cycle. We feel these facts reflect the steps taken to streamline and fine-tune our operations.

In fiscal 1983, consolidated sales totaled \$629.6 million, compared with \$558.8 million in the same period of 1982, an increase of almost 13 percent. Income from continuing operations was \$28.2 million, which was almost 22 percent above the \$23.2 million earned in 1982. Total earnings per share from continuing operations increased from \$3.46 per share to \$4.20 per share.

Scott Fetzer owes much of its strength to the fact that the Company has an exceptionally strong balance sheet and possesses the managerial expertise and financial resources it needs to control its own destiny. Our performance in a given year relies on precisely targeting specific customer needs and desires, and then manufacturing and marketing products and services that satisfy these needs.

### Operations Review

The EDUCATION & INFORMATION SYSTEMS segment's sales and earnings were moderately higher. Encyclopedia unit sales increased for the first time in many years.

The Group's future looks particularly promising. In May, K. Wayne Smith joined the Group as president and has taken a number of steps to strengthen operations and cultivate new opportunities.

The CLEANING SYSTEMS & HOUSEHOLD PRODUCTS segment's sales and earnings were up significantly in 1983 due to strong consumer demand and the success of independent dealers in obtaining financing for installment sales. About one-fourth of the Kirby Distributors' 1983 installment sales were financed through contracts with our United Consumer Financial Services Company.

When interest rates were extremely high in 1981 and 1982, it was difficult to get outside finance companies to accept the contracts. During 1983 Norman T. Mahoney was appointed president of The Kirby Group. Norm brings with him a pattern of success and 32 years of experience with the Company.

The ENERGY & CONTROL segment's pre-tax profit declined because of continued weak demand for products related to the oil and gas industry. In addition, the Group absorbed the cost of starting up a plant to make small motors for computer peripherals. We believe that the outlook for 1984 is good because of the turnaround in the energy, appliance and commercial construction industries.

The FLUID TRANSMISSION segment's income before taxes was up 98 percent on a significant increase in sales. This performance is due, in part, to the continuing emphasis on products for the consumer market and the introduction of the Power Pal, our new home tool system.

The VEHICULAR PRODUCTS segment's sales were up significantly, but income before taxes was virtually flat. The gains were primarily due to the performance of Carefree of Colorado, which markets products for the recreational vehicle and mobile home markets.

During the year the Valley Industries division, World Book Life Insurance Company (a wholly-owned subsidiary of World Book, Inc.) and Cardinal Plastics (an operating unit of the Western Enterprises division) were sold. These operations did not fit into our long-range plans. The Company is also in the process of disposing of a division in the Vehicular Products segment.

### The Year Ahead

We enter our 70th year with a worldwide reputation as a manufacturer and marketer of high quality products for the home, family and industry. We have all the ingredients needed to grow — dedicated and innovative employees, a corporate-wide entrepreneurial spirit and strong financial resources. We plan to test at least one new business opportunity in the year 1984.

We are pleased with the Company's performance in 1983, and we anticipate that we can do even better in 1984. We have a strong company that will be even stronger in the future, for employees, customers and shareholders.

GARY A. CHILDRESS  
President and  
Chief Operating Officer

February 16, 1984

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

## Results of Operations — 1983 Compared with 1982

Net sales and other revenue for continuing operations increased 13% to \$629.6 million in 1983, compared with \$558.8 million in 1982. Income from continuing operations increased 22% to \$28.2 million in 1983, compared with \$23.2 million in 1982. Earnings per share from continuing operations rose more than 21% to \$4.20 from \$3.46 last year.

The increased sales volume and earnings came primarily from the Fluid Transmission, Cleaning Systems & Household Products, and Education & Information Systems segments. These increases reflect an improvement in operating efficiency and a strong consumer demand for products in these segments.

For the fourth quarter of 1983, sales were \$162.5 million compared with \$133.2 million for the same period in 1982. Income from continuing operations was \$7.2 million, 56% above the \$4.6 million earned during the fourth quarter of 1982. Earnings per share from continuing operations rose 53% to \$1.07 from \$.70 during last year's fourth quarter.

Earnings per share from discontinued operations were \$.11 and \$.60, respectively, for the fourth quarter and year ended November 30, 1983, compared with \$.21 and \$.58 for the same periods of a year ago. See Note 2 of Notes to Consolidated Financial Statements for information on discontinued operations.

Interest income in 1983 decreased to \$11.1 million from \$12.1 million in 1982 reflecting the decline in interest rates during this two year period, partially offset by a higher average balance of short-term investments. Interest expense decreased to \$8.7 million from \$9.6 million a year ago primarily as a result of lower interest rates on foreign debt and a reduction in the average balance of debt outstanding.

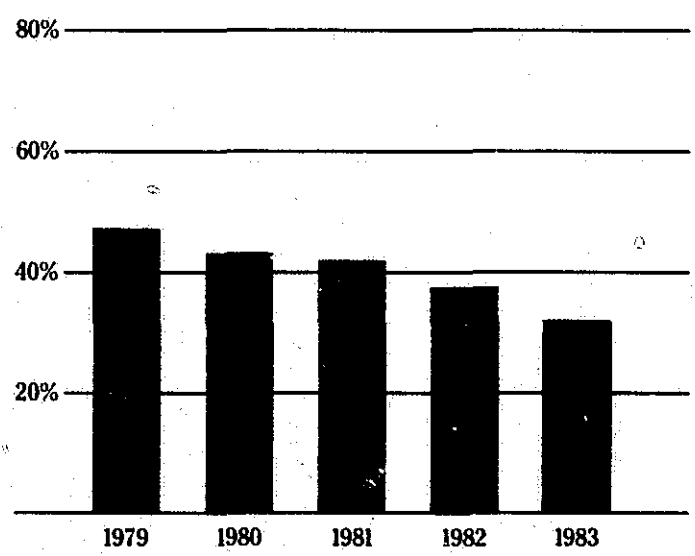
## Liquidity and Capital Resources

The Statement of Changes in Financial Position presented on page 11 of this report identifies the sources of funds, both internal and external, that sustain the Company's growth and provide liquidity. Total funds provided from continuing operations in 1983 increased to \$42.9 million from \$24.8 million a year ago. Funds provided from income and depreciation for continuing operations increased \$5.7 million, and the changes in certain current assets and liabilities provided an additional \$12.4 million over last year.

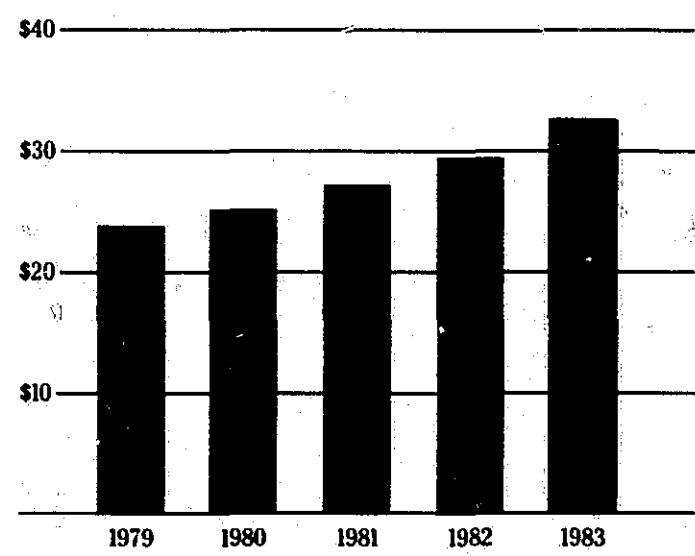
Working capital was \$156 million at year-end 1983, up 20% from last year-end's working capital of \$130 million. Cash and cash equivalents increased \$38.5 million in 1983 with funds from discontinued operations providing \$29.3 million of this increase.

The short-term debt of foreign subsidiaries, presented as notes payable on the balance sheet, was unchanged from a year ago. The Company had aggregate credit

Ratio Of Long-Term Debt To Shareholders' Equity



Book Value Per Share



facilities of \$7.0 million in various foreign countries. The percentage of long-term debt to shareholders' equity was 31.7% at the end of 1983, a decrease from 37.5% of a year ago, which primarily reflects the \$20.8 million increase in shareholders' equity.

Capital expenditures were \$19.4 million in 1983, compared with \$11.9 million in 1982, with the increase principally resulting from the purchase of previously leased facilities.

Supplemental information regarding the impact of inflation is presented on pages 19 and 20 of this report. The effects of inflation are partially mitigated through productivity improvements, cost reduction programs and competitive selling price increases.

### Results of Operations — 1982 Compared with 1981

Consolidated sales and other revenue for 1982 as restated for continuing operations totaled \$558.8 million, 8% below the prior year restated total of \$607.5 million. The lower sales volume for 1982 reflected the reduced customer demand due to the economic recession and the disposal of World Book's Japan operations.

Income from continuing operations fell 7.8% to \$23.2 million from \$25.2 million in the prior year. Earnings per share for continuing operations were \$3.46, essentially unchanged from the prior year. Earnings per share for

1982 were favorably affected by the Company's common share repurchase program which began in May 1981. The average number of common and common equivalent shares outstanding decreased 7.5% during 1982.

The decrease in income from continuing operations for 1982 was primarily due to lower sales volume, decreased net interest income, and start-up costs associated with two consumer finance subsidiaries. Earnings in 1981 were adversely affected by a special provision for closedown costs associated with World Book's international operations. Interest income in 1982 decreased to \$12.1 million from \$16.8 million in 1981 reflecting the decline in interest rates and the lower level of short-term investments. The effective income tax rate for continuing operations for 1982 was 44.5% compared with 49.7% in 1981. The lower tax rate in 1982 resulted primarily from the effect of foreign taxes, increased investment tax and research and development credits, and exempt municipal interest.

### Business Segments — 1983 Compared with 1982

Results by business segment for 1983 and the two prior years are presented on pages 13 and 14 of this report. The results for the prior years have been restated to exclude the operating results of discontinued operations.

Net sales and other revenue for 1983 increased in all of the five business segments, with the most significant increase occurring in the Fluid Transmission segment. Income from continuing operations before income taxes was up in all business segments except for Energy & Control, which was adversely affected by expenses relating to a new product line.

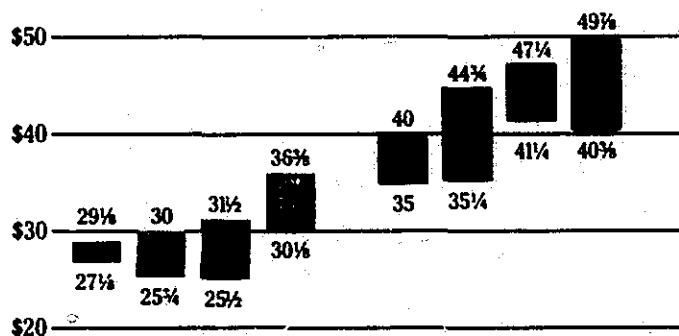
### Cleaning Systems & Household Products

Sales in 1983 were \$134.2 million compared with \$115.2 million in 1982, an increase of 17%. Income from continuing operations before income taxes was \$15.6 million, nearly 42% above the \$11 million in 1982. Nearly all operating units in this segment reported sharply higher sales and earnings, particularly the Kirby and Klevac divisions, both experiencing significant unit volume increases.

### Education & Information Systems

Sales and other revenues increased 8.5% to \$255.5 million in 1983 from \$235.6 million in 1982. Income from continuing operations before income taxes in 1983 increased to \$18 million from \$17.4 million in 1982. Income before taxes for the unconsolidated finance subsidiary decreased \$1.1 million in 1983 primarily due to a decrease in the return on short-term investments because of lower rates, and additional interest expense resulting from the refinancing of long-term debt during the latter part of 1982.

Market Price Of Common Stock By Quarter



Dividends By Quarter

Year	Quarter	Dividend (\$)
1982	1st	\$0.45
	2nd	\$0.45
	3rd	\$0.45
	4th	\$0.45
1983	1st	\$0.45
	2nd	\$0.45
	3rd	\$0.45
	4th	\$0.45

**Energy & Control**

Sales for 1983 increased moderately to \$89.6 million from \$85.1 million in 1982. Income from continuing operations before income taxes declined to \$8.4 million from \$10.3 million in the prior year. The combined sales for three of the divisions in the segment increased 19%, while earnings increased more moderately because of significant relocation and start-up expenses for a new product at the Northland division. Results for the Adalet division reflected continued lower unit volumes for the petrochemical, oil and mining industries.

**Fluid Transmission**

Sales for 1983 increased approximately 30% to \$120.2 million from \$100.3 million in 1982. Income from continuing

ing operations before income taxes nearly doubled to \$14.2 million from \$7.2 million in 1982. All divisions in the segment had increased sales and earnings, with the Campbell Hausfeld and Wayne divisions reporting the most significant increases over a year ago.

**Vehicular Products**

Sales volume for 1983 increased more than 19% to \$45.3 million from \$38 million in 1982. The most significant increase came from the Carefree of Colorado division which had a record year. Income from continuing operations before income taxes increased more moderately in 1983 to \$6.9 million from \$6.4 million a year ago. Earnings for this segment were impacted by the inclusion of the newly formed transportation subsidiary.

**Quarterly Information (Unaudited)**

The Scott & Fetzer Company and Subsidiary Companies  
Dollars in thousands except per share data)

	1983 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Net sales and other revenue	\$139,762	\$177,673	\$149,599	\$162,529
Gross profit	64,528	84,920	67,818	72,876
Income from continuing operations	4,605	9,403	6,963	7,246
Income from discontinued operations	1,058	1,981	252	716
Earnings per share				
Continuing operations	.69	1.41	1.03	1.07
Discontinued operations	.16	.29	.04	.11
	1982 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Net sales and other revenue	\$133,089	\$159,146	\$133,446	\$133,157
Gross profit	59,974	75,079	63,666	62,690
Income from continuing operations	4,840	7,777	5,971	4,635
Income from discontinued operations	535	1,118	809	1,407
Earnings per share				
Continuing operations	.71	1.15	.90	.70
Discontinued operations	.08	.17	.12	.21

## Report of Management

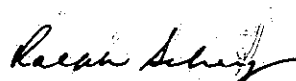
The management of The Scott & Fetzer Company has prepared the consolidated financial statements and related information included in this Annual Report and is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles 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.



Ralph Schey  
Chairman and  
Chief Executive Officer



K. J. Semelsberger  
Senior Vice President,  
Finance and Administration

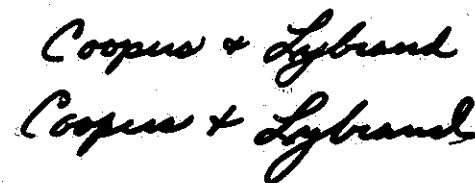
## Report of Independent Certified Public Accountants

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 as of November 30, 1983 and 1982, and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years ended November 30, 1983, 1982 and 1981. 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 as of November 30, 1983 and 1982, and the consolidated results of their operations and changes in financial position for the years ended November 30, 1983, 1982 and 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Cleveland, Ohio  
January 23, 1984





# Consolidated Statement of Income

The Scott & Fetzer Company and Subsidiary Companies  
(Dollars in thousands except per share data)

	Year Ended November 30		
	1983	(Restated) 1982	(Restated) 1981
NET SALES AND OTHER REVENUE.....	<b>\$629,563</b>	\$558,838	\$607,453
Cost of goods sold.....	<b>339,421</b>	297,429	330,162
Gross profit.....	<b>290,142</b>	261,409	277,291
Selling, general and administrative expenses.....	<b>232,604</b>	213,211	228,721
Operating income.....	<b>57,538</b>	48,198	48,570
Other income (deductions)			
Interest income.....	<b>11,081</b>	12,106	16,775
Interest expense.....	<b>(8,731)</b>	(9,644)	(9,126)
Charges for services of finance subsidiary (Note 5).....	<b>(12,997)</b>	(12,102)	(7,650)
Income from unconsolidated subsidiaries and joint ventures.....	<b>4,066</b>	4,263	2,883
Other, net.....	<b>552</b>	(1,012)	(1,413)
	<b>(6,029)</b>	(6,389)	1,469
Income from continuing operations before income taxes.....	<b>51,509</b>	41,809	50,053
Income taxes (Note 10).....	<b>23,292</b>	18,586	24,852
INCOME FROM CONTINUING OPERATIONS.....	<b>28,217</b>	23,223	25,187
Income from discontinued operations (Note 2).....	<b>4,007</b>	3,869	3,880
NET INCOME.....	<b>\$ 32,224</b>	\$ 27,092	\$ 29,067
EARNINGS PER SHARE			
Continuing operations.....	<b>\$ 4.20</b>	\$ 3.46	\$ 3.47
Discontinued operations.....	<b>.60</b>	.58	.54
Total earnings per share.....	<b>\$ 4.80</b>	\$ 4.04	\$ 4.01
DIVIDENDS PER SHARE.....	<b>\$ 1.80</b>	\$ 1.80	\$ 1.80
Average number of common and common equivalent shares outstanding (000's).....	<b>6,710</b>	6,708	7,252

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	
	1983	1982
<b>ASSETS</b>		
Current Assets		
Cash .....	\$ 4,250	\$ 2,651
Interest-bearing deposits .....	54,552	46,163
Short-term investments .....	66,041	37,504
Receivables (Note 3) .....	94,153	80,483
Inventories (Note 4) .....	79,906	81,045
Prepaid expenses .....	4,364	4,808
<b>TOTAL CURRENT ASSETS .....</b>	<b>303,266</b>	<b>252,654</b>
Investments in and advances to unconsolidated subsidiaries and joint ventures (Note 5) .....	47,485	56,883
Property, plant and equipment (Note 6) .....	85,181	81,970
Excess cost over fair value of assets acquired .....	2,427	2,625
Other assets .....	6,708	9,658
<b>TOTAL ASSETS .....</b>	<b>\$445,067</b>	<b>\$403,790</b>
<b>LIABILITIES</b>		
Current Liabilities		
Notes payable (Note 7) .....	\$ 4,918	\$ 4,971
Accounts payable .....	36,201	31,495
Accrued employment costs .....	23,033	21,472
Accrued liabilities .....	47,711	33,449
Income taxes .....	21,027	10,227
Deferred income taxes (Notes 5 & 10) .....	10,484	16,478
Current portion of long-term debt .....	3,867	4,559
<b>TOTAL CURRENT LIABILITIES .....</b>	<b>147,241</b>	<b>122,651</b>
Deferred income taxes (Note 10) .....	9,792	8,444
Other deferred credits .....	5,004	5,824
Long-term debt (Notes 7 & 8) .....	68,163	72,786
<b>TOTAL LIABILITIES .....</b>	<b>230,200</b>	<b>209,705</b>
<b>SHAREHOLDERS' EQUITY</b>		
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 9) .....	8,278	8,251
Additional capital .....	6,746	6,169
Retained earnings (Note 7) .....	199,843	179,665
<b>TOTAL SHAREHOLDERS' EQUITY .....</b>	<b>214,867</b>	<b>194,085</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY .....</b>	<b>\$445,067</b>	<b>\$403,790</b>

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

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# Consolidated Statement of Changes in Financial Position

The Scott & Fetzer Company and Subsidiary Companies  
(Dollars in thousands)

	Year Ended November 30		
	1983	(Restated) 1982	(Restated) 1981
<b>FUNDS FROM CONTINUING OPERATIONS</b>			
Income from continuing operations .....	\$ 28,217	\$ 23,223	\$ 25,187
Items included not affecting funds			
Depreciation .....	10,247	9,561	9,127
Noncurrent deferred income taxes .....	1,348	964	164
Income from unconsolidated subsidiaries and joint ventures .....	(1,319)	(1,440)	(390)
Other .....	389	929	420
Funds provided (used) by changes in certain current assets and liabilities: .....	4,040	(8,407)	18,674
Total funds provided from continuing operations .....	42,922	24,830	53,182
<b>FUNDS FROM DISCONTINUED OPERATIONS</b> .....	29,258	2,870	3,745
Total funds provided from operations .....	72,180	27,700	56,927
<b>FUNDS FROM OTHER SOURCES, EXCLUDING FINANCING AND INVESTMENT ACTIVITIES</b>			
Dispositions of property, plant and equipment, net .....	2,059	2,305	1,834
Decrease in other assets .....	2,758	—	211
Increase in other deferred credits .....	—	1,515	—
Other .....	198	17	132
Total funds provided before financing and investment activities .....	5,015	3,837	2,177
Total funds provided before financing and investment activities .....	77,195	31,537	59,104
<b>FUNDS USED, EXCLUDING FINANCING AND INVESTMENT ACTIVITIES</b>			
Additions to property, plant and equipment .....	(19,434)	(11,903)	(11,457)
Cash dividends paid .....	(11,904)	(11,974)	(13,003)
Decrease in other deferred credits .....	(820)	—	(285)
Other .....	(13)	(75)	—
Total funds used before financing and investment activities .....	(32,171)	(23,952)	(24,745)
<b>NET FUNDS PROVIDED BEFORE FINANCING AND INVESTMENT ACTIVITIES</b> .....	45,024	7,585	34,359
<b>FUNDS PROVIDED FROM (USED IN) FINANCING AND INVESTMENT ACTIVITIES</b>			
Payments and current maturities of long-term debt .....	(5,315)	(2,158)	(3,250)
Sale of common stock under stock options .....	611	22	—
Increase (decrease) in short-term debt .....	(53)	465	(2,379)
Purchases of treasury shares .....	(149)	(5,055)	(17,143)
Investment in tax leases net of current benefit .....	—	(3,367)	—
Investments in and advances to unconsolidated subsidiaries and joint ventures .....	(1,593)	(13,523)	(1,435)
Total funds used in financing and investment activities .....	(6,499)	(23,616)	(24,207)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b> .....	\$ 38,525	\$ (16,031)	\$ 10,152

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

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## 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 Equity
	Number	Dollars	Number	Dollars			
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 9) .....			(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
Net income .....						32,224	32,224
Shares issued under stock option plan (Note 9) .....			(24,906)	31	580		611
Purchases of treasury shares .....			3,486	(4)	(3)	(142)	(149)
Cash dividends — \$1.80 per share .....						(11,904)	(11,904)
Balances at November 30, 1983 .....	7,576,924	\$9,471	954,876	\$(1,193)	\$6,746	\$199,843	\$214,867

\*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		
	1983	(Restated) 1982	(Restated) 1981
<b>NET SALES AND OTHER REVENUE</b>			
Cleaning Systems & Household Products .....	\$134,247	\$115,212	\$114,258
Education & Information Systems .....	255,496	235,559	259,801
Energy & Control .....	89,554	85,055	90,324
Fluid Transmission .....	130,173	100,310	124,646
Vehicular Products .....	45,264	37,951	34,853
Intersegment Sales .....	(25,171)	(15,249)	(16,429)
	<u>\$629,563</u>	<u>\$558,838</u>	<u>\$607,453</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>			
Cleaning Systems & Household Products .....	\$ 17,497	\$ 14,213	\$ 16,380
Unconsolidated Finance Subsidiaries .....	(1,907)	(3,226)	(1,486)
	<u>15,590</u>	<u>10,987</u>	<u>14,894</u>
Education & Information Systems .....	11,986	10,107	5,898
Unconsolidated Finance Subsidiary and Joint Ventures .....	6,061	7,316	4,370
	<u>18,047</u>	<u>17,423</u>	<u>10,268</u>
Energy & Control .....	8,376	10,300	13,156
Fluid Transmission .....	14,209	7,170	10,557
Vehicular Products .....	6,875	6,411	5,490
Corporate Expenses and Net Interest .....	(11,588)	(10,482)	(4,326)
	<u>\$ 51,509</u>	<u>\$ 41,809</u>	<u>\$ 50,039</u>
<b>IDENTIFIABLE ASSETS</b>			
Cleaning Systems & Household Products .....	\$ 39,499	\$ 39,261	\$ 43,908
Unconsolidated Finance Subsidiaries .....	14,186	15,250	(905)
	<u>53,685</u>	<u>54,511</u>	<u>43,003</u>
Education & Information Systems .....	69,908	68,575	72,443
Unconsolidated Finance Subsidiary and Joint Ventures .....	33,299	29,507	31,374
	<u>103,207</u>	<u>98,082</u>	<u>103,817</u>
Energy & Control .....	40,655	37,000	37,513
Fluid Transmission .....	69,868	62,055	63,283
Vehicular Products .....	25,829	18,027	15,751
Corporate and Other .....	144,477	105,804	111,767
Discontinued Operations .....	7,346	28,311	30,660
	<u>\$445,067</u>	<u>\$403,790</u>	<u>\$405,794</u>

## Business Segment Information by Industry (continued)

The Scott & Fetzer Company and Subsidiary Companies  
(Dollars in thousands)

	Year Ended November 30		
	1983	(Restated) 1982	(Restated) 1981
<b>CAPITAL EXPENDITURES</b>			
Cleaning Systems & Household Products.....	\$ 3,179	\$ 2,611	\$ 1,968
Education & Information Systems .....	3,039	968	1,167
Energy & Control .....	4,108	3,360	2,268
Fluid Transmission .....	3,428	2,287	3,096
Vehicular Products .....	3,718	1,173	666
Corporate and Other.....	1,630	885	1,701
Discontinued Operations .....	332	619	591
	<u>\$ 19,434</u>	<u>\$ 11,903</u>	<u>\$ 11,457</u>
<b>DEPRECIATION</b>			
Cleaning Systems & Household Products.....	\$ 2,175	\$ 1,907	\$ 1,725
Education & Information Systems .....	2,333	2,204	2,323
Energy & Control .....	1,654	1,469	1,345
Fluid Transmission .....	2,982	2,831	2,706
Vehicular Products .....	318	291	279
Corporate and Other.....	785	859	749
	<u>\$ 10,247</u>	<u>\$ 9,561</u>	<u>\$ 9,127</u>

## Business Segment Information by Geographic Area

	Year Ended November 30		
	1983	(Restated) 1982	(Restated) 1981
<b>NET SALES AND OTHER REVENUE</b>			
United States.....	\$601,672	\$530,978	\$562,398
Foreign.....	39,361	39,885	57,337
Interarea.....	(11,470)	(12,025)	(12,282)
	<u>\$629,563</u>	<u>\$558,838</u>	<u>\$607,453</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>			
United States.....	\$ 59,461	\$ 50,244	\$ 57,819
Foreign.....	3,636	2,047	(3,454)
	<u>63,097</u>	<u>52,291</u>	<u>54,365</u>
Corporate Expenses and Net Interest .....	(11,588)	(10,482)	(4,326)
	<u>\$ 51,509</u>	<u>\$ 41,809</u>	<u>\$ 50,039</u>
<b>IDENTIFIABLE ASSETS</b>			
United States.....	\$398,894	\$334,519	\$338,245
Foreign.....	38,827	40,960	36,889
Discontinued Operations .....	7,346	28,311	30,660
	<u>\$445,067</u>	<u>\$403,790</u>	<u>\$405,794</u>

# Notes to Consolidated Financial Statements

(Dollars in thousands except per share data)

## 1. Significant Accounting Policies

**Principles of Consolidation** — The consolidated financial statements include the accounts of all domestic and foreign subsidiaries, except for joint ventures and the finance subsidiaries which are carried on the equity basis. Inter-company 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 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 78% and 79% of total inventories in 1983 and 1982, 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 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 15 to 40 years. The Company's general policy is to fund the minimum amount required under ERISA.

**Reclassifications** — Certain amounts in the 1982 balance sheet have been restated to correspond to 1983 account classifications.

## 2. Discontinued Operations

During 1983 the Company sold the World Book Life Insurance Company, an unconsolidated insurance subsidiary; the Valley Industries division, which was part of the Vehicular Products segment; and Cardinal Plastics, an operating unit of the Western Enterprises division, which was included in the Cleaning Systems & Household Products segment. The Company also is in the process of disposing of a division in the Vehicular Products segment. Accordingly, the consolidated financial statements and related notes have been reclassified to report separately the operating results of continuing and discontinued operations for each fiscal period presented. Net sales and operating results for discontinued operations are summarized below:

	Year Ended November 30		
	1983	1982	1981
Net Sales.....	\$28,420	\$41,170	\$48,933
Operating Results:			
Income from discontinued operations before net gain on dispositions, less income taxes (1983-\$501; 1982-\$2,434; 1981-\$3,008) .....	\$ 1,259	\$ 3,869	\$ 3,880
Net gain on dispositions, less income taxes of \$3,762 .....	2,748	—	—
Income from discontinued operations .....	\$ 4,007	\$ 3,869	\$ 3,880

The disposal of operations during 1983 resulted in the reduction of inventory quantities valued using the LIFO method. This reduction increased the net gain on dispositions by \$1,374 or 20 cents per share.

## 3. Receivables

Receivables at November 30, 1983 and 1982, consisted of the following:

	1983	1982
Trade receivables, less allowance for doubtful accounts (1983 — \$5,430; 1982 — \$5,871) .....	\$72,124	\$54,490
Installment receivables, less allowance for doubtful accounts (1983 — \$5,713; 1982 — \$5,772) .....	14,224	13,679
Other receivables, net .....	7,805	12,314
	\$94,153	\$80,483

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 \$7,242 and \$5,080 at November 30, 1983 and 1982, respectively.

#### 4. Inventories

Inventories at November 30, 1983 and 1982, consisted of the following:

	1983	1982
Raw materials .....	\$24,129	\$22,919
Work in process .....	26,120	31,077
Finished goods .....	29,657	27,049
	<u>\$79,906</u>	<u>\$81,045</u>

The total impact of LIFO on income and earnings per share from continuing operations is presented in the following table.

	Year Ended November 30		
	1983	1982	1981
<b>Gross LIFO effect</b>			
Amount .....	\$ 129	\$ 413	\$ (1,300)
Per share .....	.02	.06	(.18)
<b>Less increase in income from continuing operations related to inventory liquidations of LIFO quantities and costs</b>			
Amount .....	468	712	618
Per share .....	.07	.10	.08
<b>Increase (decrease) in income from continuing operations</b>			
Amount .....	<u>\$ (339)</u>	<u>\$ (299)</u>	<u>\$ (1,918)</u>
Per share .....	<u>\$. (05)</u>	<u>\$. (04)</u>	<u>\$. (26)</u>

If FIFO costs had been used for inventories presently valued using the LIFO method, inventories would have been \$24,581 and \$27,023 higher than reported at November 30, 1983 and 1982, respectively.

#### 5. Investments in and Advances to Unconsolidated Subsidiaries and Joint Ventures

The investments in and advances to wholly-owned unconsolidated subsidiaries and joint ventures are carried on the equity basis and at November 30, 1983 and 1982, were as follows:

	1983	1982
Finance subsidiaries .....	\$46,963	\$44,516
World Book Life Insurance .....	—	12,126
Joint ventures .....	522	241
	<u>\$47,485</u>	<u>\$56,883</u>

The consolidated balance sheet included net amounts payable to unconsolidated subsidiaries of \$1,953 at November 30, 1983 and net amounts receivable of \$3,314 at November 30, 1982.

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

World Book Finance, Inc. (WBF) provides funds principally to finance the domestic installment receivables of World Book, Inc. WBF has a wholly-owned subsidiary, United Consumer Financial Services 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 WBF amounts sufficient so that earnings, as defined, are at least 150% of fixed charges, primarily interest. The amounts provided were \$12,997 in 1983, \$12,102 in 1982 and \$7,650 in 1981. The current liability for deferred income taxes in the consolidated balance sheet includes amounts related to installment receivables financed by WBF. Summarized financial statements of WBF follow.

	November 30	
	1983	1982
<b>Assets</b>		
Cash and cash equivalents .....	\$ 28,943	\$ 29,855
Finance receivables, net of allowance for credit losses .....	98,806	101,078
Other assets .....	6,891	2,957
<b>Total Assets .....</b>	<u>\$134,640</u>	<u>\$133,890</u>
<b>Liabilities and Equity</b>		
Accounts payable and other liabilities .....	\$ 7,429	\$ 6,961
Current portion of long-term debt .....	2,625	2,625
Long-term debt .....	86,875	89,500
Scott Fetzer equity .....	37,711	34,804
<b>Total Liabilities and Equity .....</b>	<u>\$134,640</u>	<u>\$133,890</u>

	Year Ended November 30		
	1983	1982	1981
Total revenue .....	\$23,384	\$22,428	\$15,139
Interest expense .....	11,776	11,022	8,426
Other expenses .....	5,685	5,895	2,500
Income taxes .....	3,016	2,840	2,149
<b>Net income .....</b>	<u>\$ 2,907</u>	<u>\$ 2,671</u>	<u>\$ 2,064</u>



**6. Property, Plant and Equipment**

Property, plant and equipment at November 30, 1983 and 1982, consisted of the following:

	1983	1982
Land and land improvements.....	\$ 4,554	\$ 5,199
Buildings.....	31,965	26,738
Machinery and equipment.....	101,866	99,375
Capitalized leases.....	9,942	14,370
	<u>148,327</u>	<u>145,682</u>
Accumulated depreciation and amortization.....	63,146	63,712
	<u>\$ 85,181</u>	<u>\$ 81,970</u>

**7. Notes Payable and Long-Term Debt**

The Company had borrowings of \$4,918 and \$4,971 at November 30, 1983 and 1982 under bank credit lines available under contractual arrangements in various foreign countries. These credit lines totalled \$7,635 and \$7,857 at those dates and required commitment fees up to 1 1/2 % per annum on the unused portion.

A summary of long-term debt, at November 30, 1983 and 1982, excluding the current portion, follows:

	1983	1982
9 1/2 % Notes, payable in annual installments of \$2,500 thru 1998.....	\$35,000	\$37,500
9 1/4 % Notes, due 1985.....	30,000	30,000
Other long-term debt with interest rates from 8 % to 11 % due in installments thru 1987.....	522	816
Capitalized leases with interest rates from 4 % to 18 % due in installments thru 1989.....	2,641	4,470
	<u>\$68,163</u>	<u>\$72,786</u>

The 9 1/2 % and 9 1/4 % 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 \$57,096 at November 30, 1983.

Aggregate maturities of long-term debt are \$3,867, \$33,874, \$3,335, \$3,071, \$2,830 for the years ending November 30, 1984 through 1988, respectively.

**8. 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, 1983 and 1982, were as follows:

	1983	1982
Land and land improvements.....	\$ 333	\$ 333
Buildings.....	7,265	9,517
Machinery and equipment.....	2,344	4,520
	<u>9,942</u>	<u>14,370</u>
Accumulated amortization.....	5,962	8,671
	<u>\$ 3,980</u>	<u>\$ 5,699</u>

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

Year Ending November 30	Capitalized Leases	Operating Leases
1984.....	\$ 1,645	\$ 4,967
1985.....	1,508	4,195
1986.....	844	2,326
1987.....	511	1,596
1988.....	379	1,352
Later years.....	53	2,057
Total minimum lease payments.....	4,940	16,493
Less minimum sublease rents.....	—	545
Net minimum lease payments.....	4,940	<u>\$15,948</u>
Less:		
Amount representing estimated executory costs.....	124	
Amount representing interest.....	950	
Present value of minimum lease payments, of which \$1,225 is due within one year.....	<u>\$ 3,866</u>	

Net rent expense resulting from noncancelable operating leases for continuing operations for the years ended November 30, 1983, 1982, and 1981 amounted to \$5,590, \$5,894, and \$6,637, respectively.

**9. 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.

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Options issued under the 1981 Plan 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 by the Company with respect to options granted.

Both plans permit the granting of stock appreciation rights to optionees. As of November 30, 1983 no such rights had been granted.

Changes in options outstanding under these plans during the years 1981, 1982 and 1983 follow.

	Shares	Option Price or Range
<b>1973 STOCK OPTION PLAN</b>		
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
Granted.....	26,193	42 3/8-44 1/2
Exercised.....	(23,426)	23 1/8-28
Cancelled.....	(13,725)	23 1/8-26 7/8
November 30, 1983.....	<u>248,232</u>	23 1/8-44 1/2
<b>1981 STOCK OPTION PLAN</b>		
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
Granted.....	61,807	42 3/8-44 1/2
Exercised.....	(1,480)	28
Cancelled.....	(6,870)	28-35 1/2
November 30, 1983.....	<u>182,517</u>	28-44 1/2

At November 30, 1983, 1982, and 1981, options exercisable under the 1973 Stock Option Plan were 187,990, 171,581 and 139,264 respectively, and 489,787, 513,213, 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 241,555, 254,023, and 249,348.

At November 30, 1983, 1982 and 1981, options exercisable under the 1981 Stock Option Plan were 45,068, 16,353 and none, respectively. Shares available for future grants were 316,003, 370,940 and 431,940 at the end of each of the three years with the number of shares reserved for issuance being 498,520, 500,000 and 500,000.

## 10. Income Taxes

The provisions for income taxes for continuing operations were as follows:

	Year Ended November 30		
	1983	1982	1981
<b>Current:</b>			
Federal.....	\$18,117	\$12,777	\$17,150
State and local.....	3,634	2,774	3,681
Foreign.....	1,719	635	2,190
	<u>23,470</u>	<u>16,186</u>	<u>23,021</u>
<b>Deferred:</b>			
Current.....	(4,313)	(2,348)	788
Noncurrent.....	4,135	5,248	1,043
	<u>(178)</u>	<u>2,400</u>	<u>1,831</u>
	<u>\$23,292</u>	<u>\$18,586</u>	<u>\$24,852</u>

Major components of the deferred income taxes for continuing operations were as follows:

	Year Ended November 30		
	1983	1982	1981
Accelerated depreciation.....	\$ 1,338	\$ 620	\$ 994
Expenses deductible for tax purposes when paid.....	(3,315)	(845)	(1,366)
Taxes deferred on installment sales.....	(1,228)	(2,346)	2,078
Purchased tax benefits.....	2,665	4,526	—
State and local income/franchise tax timing differences.....	362	445	130
Other, net.....	—	—	(5)
	<u>\$ (178)</u>	<u>\$ 2,400</u>	<u>\$ 1,831</u>

The effective income tax rate for continuing operations is reconciled to the United States statutory rate as follows:

	Year Ended November 30		
	1983	1982	1981
Statutory federal tax rate.....	46.0%	46.0%	46.0%
State and local income taxes net of federal income tax benefit....	3.8	3.6	4.0
Investment tax credit and research & development credit.....	(2.2)	(2.9)	(1.7)
DISC income not taxed.....	(.9)	(1.1)	(1.9)
Foreign operations tax effect.....	.5	(.6)	2.9
Exempt municipal interest.....	(1.0)	(1.7)	—
Other, net.....	(1.0)	1.2	.4
	<u>45.2%</u>	<u>44.5%</u>	<u>49.7%</u>

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 an insignificant effect on net income in 1982 and 1983, 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 tax benefits realized from these transactions.

### 1. 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 expense for pension and retirement plans for continuing operations for the years ended November 30, 1983, 1982, and 1981 was \$4,695, \$5,747 and \$5,949, respectively. The decrease in 1983 expense compared with 1982 resulted primarily from a reduction in the provision for profit-sharing expenses.

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.

A comparison of accumulated plan benefits and net assets for the domestic defined benefit plans for continuing operations as of the most recent valuation dates, principally as of the first day of the 1983 and 1982 fiscal years, is as follows:

	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested .....	\$15,179	\$13,278
Non-vested .....	2,768	2,397
Total value.....	<u>\$17,947</u>	<u>\$15,675</u>
Net assets, at market value, available for benefits.	<u>\$31,810</u>	<u>\$27,851</u>

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.

### 2. Business Segment Information

Information with respect to the Company's business segments is contained on pages 13 and 14 of this report. Business Segment Information by Industry has been reclassified for the years 1982 and 1981 to exclude operating results related to discontinued operations to reflect certain reclassifications of identifiable assets.

World Book Finance, Inc., United Consumer Financial Services Company, United Acceptance Limited and Scott & Metzger Financial Services of Canada, Inc. are wholly-owned unconsolidated subsidiaries that provide financing to purchasers of certain of the Company's products. These subsidiaries are included in the segments with which they are vertically integrated.

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 and general corporate expenses.

### 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. 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.

The impact of inflation was calculated on only inventories and property, plant and equipment. Restatement of these items reflects the most significant effects of inflation on the Company.

The constant dollar method was computed by adjusting the historical costs of inventories and property, plant and equipment 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 are 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 55.4% for constant dollar basis income from continuing operations and 56.2% for current cost basis income from continuing operations, compared with 45.2% in the primary statements.

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### Supplemental Statement of Income Adjusted for Changing Prices (Unaudited)

For the year ended November 30, 1983  
(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	\$629,573	\$629,563	\$629,563
Cost of goods sold	339,421	347,644	348,228
Gross profit	290,142	281,919	281,335
Selling, general and administrative expenses	232,604	233,828	233,874
Operating income	57,538	48,091	47,461
Other income (deductions):			
Interest and other income, net	11,633	11,633	11,633
Interest expense	(8,731)	(8,731)	(8,731)
Charges for services of finance subsidiary	(12,997)	(12,997)	(12,997)
Income from unconsolidated subsidiaries and joint ventures	4,066	4,066	4,066
Income from continuing operations before income taxes	51,509	42,062	41,432
Income taxes	23,292	23,292	23,292
Income from continuing operations	\$ 28,217	\$ 18,770	\$ 18,140
Depreciation included above	10,247	14,618	14,782
Earnings per share — continuing operations	4.20	2.80	2.70
Effective income tax rate	45.2%	55.4%	56.2%
Net assets at end of year	\$214,867	\$269,079	\$269,799
Gain from decline in purchasing power of net amount owed		\$ 380	\$ 380
Increase in general price level of inventories and property, plant and equipment during the year			7,027
Less effect of increase in current cost			4,488
Excess of increase in general inflation over increase in current cost			\$ 2,539

Selling, general and administrative expenses have been adjusted for depreciation expense of \$1,224 and \$1,270 respectively, due to adjustments for general inflation and changes in current costs.

At November 30, 1983, the estimated current cost of inventories and property, plant and equipment, net of accumulated depreciation, was \$102,964 and \$116,333, respectively.

### Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices (Unaudited) Expressed in Average 1983 Dollars

(Dollars in thousands except per share data)

	Fiscal Year Ended November 30				
	1983	1982	1981	1980	1979
Net sales and other revenue, as reported	\$629,563	\$558,838	\$607,453	\$584,473	\$633,613
Historical cost information adjusted:					
for general inflation:					
Net sales and other revenue	629,563	576,671	668,085	711,460	875,929
Income from continuing operations	18,770	13,744	15,960	9,713	
Income from continuing operations per share	2.80	2.05	2.20	1.31	
Net assets at year-end	269,079	266,255	270,226	228,125	
Current cost information:					
Income from continuing operations	18,140	15,116	19,346	12,306	
Income from continuing operations per share	2.70	2.25	2.67	1.67	
Net assets at year-end	269,799	263,454	265,153	283,561	
Excess of increase in general inflation over increase in current cost	2,539	(676)	4,827	5,086	
Other information:					
Gain from decline in purchasing power of net amounts owed	380	1,364	2,353	4,555	
Cash dividends per share —					
As reported	1.80	1.80	1.80	1.80	1.70
Average 1983 dollars	1.80	1.86	1.98	2.19	2.35
Common share market price at year-end —					
As reported	42.50	34.12	28.25	23.50	22.75
Average 1983 dollars	41.74	34.48	29.94	27.29	29.75
Average Consumer Price Index	297.5	288.3	270.5	244.4	215.2

## Directors

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

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

**STEPHEN H. FULLER**  
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  
Compensation Committee, chairman  
Investment and Pension Committee  
Nominating Committee  
Planning and Organization 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  
Executive Committee  
Investment and Pension Committee

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

**KENNETH J. SEMELSBERGER**  
Senior Vice President,  
Finance & Administration  
Executive Committee  
Investment and Pension Committee

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

## Corporate Management

**RALPH SCHEY**  
Chairman and  
Chief Executive Officer

**GARY A. CHILDRESS**  
President and  
Chief Operating Officer

**KENNETH J. SEMELSBERGER**  
Senior Vice President,  
Finance & Administration

**K. WAYNE SMITH**  
Vice President, Scott Fetzer;  
President, Education, Training  
& Information Group

**WALTER A. RAJKI**  
Senior Vice President

**JOHN BEBBINGTON**  
Senior Vice President

**KEARNEY K. KIER**  
Group Vice President

**J. F. BRADLEY**  
President, Financial  
Services Group

**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

**CORRINE E. REYNOLDS**  
Assistant Secretary  
and Associate Counsel

## 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**  
2145 West 6th Avenue  
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

**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

**Scott Fetzer**

QUALITY PRODUCTS FOR HOME AND FAMILY

The Scott & Fetzer Company  
14600 Detroit Avenue  
Lakewood, Ohio 44107  
(216) 228-6200

After April 1, 1984:

The Scott & Fetzer Company  
28800 Clemens Road  
Westlake, Ohio 44145  
(216) 892-3000

Exhibit 22

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

	<u>Subsidiaries of Scott &amp; Fetzer</u>	<u>State of Incorporation</u>	<u>% of Stock Owned</u>
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 Consumer Financial Services Company	Delaware	100%
D.	Scott Fetzer Financial Services Company	Delaware	100%
E.	United Acceptance Limited	Delaware	100%
E.	Scott & Fetzer Financial Services of Canada, Inc.	Ontario	100%

A. Included in the Consolidated Financial Statements contained in the 1983 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-15 of the 1983 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