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SCOTT & FETZER CO

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DISCLOSURE INC BETHESDA MD. 20816

FOR 11/30/84

Quick Reference Chart to Contents of SEC Filings

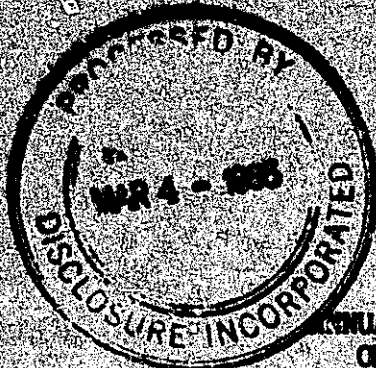
REPORT CONTENTS	10-K	19-K 20-F	10-Q	8-K	10-C	8-K	Proxy Statement	Prospectus	Registration Statements		ARS	Listing Application	N-1R	N-1Q
									'34 Act F-10 8-A	'33 Act "S" Type				
									8-B					
Auditor														
<input type="checkbox"/> Name	A	A						A	A		A	A		A
<input type="checkbox"/> Opinion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

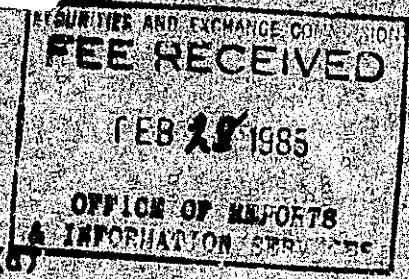
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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EDM 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, 1984

Commission File Number 1-231

The Scott & Fetzer Company
(Exact name of Registrant as specified in its charter)

407

Ohio
(State or other jurisdiction)
of incorporation or
organization)

38-0517040
(I.R.S. Employer
Identification No.)

28800 Clemens Road
Westlake, Ohio
(Address of principal executive offices)

44145
(Zip Code)

Registrant's telephone number, including area code:

(216) 892-3000

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

Title of each class

Name of each exchange
on which registered

Common Shares
Without Par Value
(\$1.25 Stated Value)

New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange

9-1/4% Notes Due 1985

New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of January 31, 1985, excluding, for purposes of this computation, only stock holdings of the registrant's Directors and Officers. \$387,641,430
The number of Common Shares outstanding on January 31, 1985 was 6,640,106.

Exhibit index on pages
41 thru 43 of sequentially
numbered pages

page 1 of 404 pages.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Annual Report to Shareholders for the fiscal year ended November 30, 1984 are incorporated by reference into Parts I and II.

Portions of the Proxy Statement dated February 25, 1985 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 Household Products & Service Group, Education, Information & Training Group, and Commercial Industrial Group segments. Two of the Company'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 education products sold under the World Book name. The Company has 15 operating units located in 12 states. The Company's principal executive offices are located at 28800 Clemens Road, Westlake, Ohio 44145 and its telephone number is (216) 892-3000.

Founded in 1914, the Company was incorporated under the laws of the State of Ohio on November 30, 1917.

Business Segments

Certain information with respect to the contributions to net revenues and operating profits and identifiable assets attributable to each of the Company's business segments for each of the last three fiscal years is set forth in the tables on pages 12 and 13 of the 1984 Annual Report to Shareholders of Scott Fetzer. Additional information is noted in footnote 13 on page 18 of the 1984 Annual Report. These tables and footnote are incorporated herein by reference.

The Company's business segment information by industry has been restated for 1982 and 1983 to be comparable to the 1984 realignment of the Company's operating units into three business groups. Such information reflects the allocation of certain expenses and other arbitrary determinations. The Company'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, 1984, no single customer purchase products from the operating units of the Company which in the aggregate accounted for more than 10% of the total sales from the operations for such fiscal year. The Company does not believe that the loss of any single customer would have a material adverse effect on its total business.

Household Products & Services Group. The Company manufactures and distributes a wide variety of vacuum cleaners and other floor maintenance

equipment and supplies for residential, industrial and institutional use. The Company also manufactures and sells to other manufacturers certain component parts incorporated in such equipment. Operating units in the Household Products & Services Group are Campbell Hausfeld, Carefree of Colorado, Cleveland Wood Products, Kirby, Klevac, Powerwinch, Quikut, Wayne Home Equipment, United Consumer Finance, Scott & Fetzer Financial Services and Advanced Product Technology Center.

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. The Company, 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 1,150 factory distributors and area dealers. Substantially all Kirby's sales to distributors are for cash. Kirby has five major competitors. Kirby's sales 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. The Company believes Kirby's 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 1984, 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, hand-held vacuum cleaners, roller and flat brushes for vacuum cleaners, replacement vacuum cleaner parts and cleaning chemicals, primarily for home use (under the Kirby and other names, as well as under private labels, accounted for approximately 17% of total revenues from continuing operations of the Company for each of the fiscal years 1982 through 1984 respectively.

As of November 30, 1984, United Consumer Financial Services Company, a wholly owned subsidiary of World Book Finance, Inc., which finances consumer installment accounts for Kirby distributors, had outstanding finance receivables totalling approximately \$45 million.

The Company has a 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 finance the installment accounts from customers of Kirby distributors operating in the United Kingdom and Canada. As of November 30, 1984, these subsidiaries had outstanding finance receivables totalling approximately \$4.6 million.

The Company manufactures through its Campbell Hausfeld division 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; air receivers; and high pressure sprayers and washers.

These products are sold domestically and abroad by mass merchandisers and retail stores under both private labels and 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 1982 through 1984, sales of Campbell Hausfeld products accounted for approximately 10%, 12%, and 13%, respectively, of total revenues from the continuing operations of the Company.

The Company also assembles and sells domestically, under the Wayne Home Equipment name, water circulating, sump and other pumps and power oil and gas burners. Wayne has twelve major competitors in the pump market and five in the burner market. Wayne's products are competitively priced; its service, warranties, and product performance appear equal to, or better than, those of the competition. Wayne is presently developing a new generation of submersible sump pumps for introduction in early 1985.

In addition to the foregoing products, within the Household Products & Service segment the Company also manufactures and sells: household cutlery; sterilized disposable medical supplies; ultrasonic humidifiers for consumer and medical applications; electrical winches for marine and other applications; awnings for mobile homes and recreational vehicles and mobile home accessories.

These products are sold principally by direct factory sales people and independent manufacturers' representatives and distributed to and through original equipment manufacturers and wholesale distributors. There are a number of competitors engaged in manufacturing each class of such product within the Household Products & Services segment. The Company 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.

Education, Information & Training Group. The Company, through its wholly owned subsidiary, World Book, Inc. ("World Book"), publishes and sells The World Book Encyclopedia, other reference works, and educational and instructional 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 75,000 commissioned sales representatives. In addition, World Book, through subsidiaries and branches having approximately 5,700 commissioned sales representatives, conducts direct selling operations in Canada, Australia and the British Isles. 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 portion of encyclopedia sales are made on a deferred consumer credit installment basis. The domestic accounts receivable are financed by World Book through its wholly owned subsidiary, World Book Finance,

Inc. At November 30, 1984, outstanding receivables totalled approximately \$61 million.

In fiscal 1984, 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 year 1982 through 1984, revenues from World Book products under the World Book and other names accounted for approximately 43%, 41%, and 40%, respectively, of total revenues from the continuing operations of the Company.

The Company is engaged in the development and sale of various business and educational software systems for use on certain brands of microcomputers, as well as the training of commercial users for such microcomputer applications, through World Book's wholly owned subsidiary, World Book Electronic Information Systems, Inc. ("WBEIS"). These software products are marketed through wholesale distributors. WBEIS has eight other major competitors involved in microcomputer software training. There are a substantial number of competitors in the development and sale of business and educational software.

The Education, Information & Training segment serves primarily the consumer, education and mass merchandiser markets.

Commercial Industrial Group. Within this business segment, consisting of the Adalet, France, Halex, Northland, Stahl, and Western Enterprises Divisions, the Company manufactures and sells: connectors and fittings for compressed gas applications; a line of medical regulators and flowmeters; injected molded plastic items; utility service truck bodies and related equipment; explosion-proof electrical fittings; junction boxes, instrument housings and control stations for electrical distribution systems; a specialty line of armored and liquid-tight cable connectors, couplers, and conduit fittings; precision equipment for measuring 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 manufacturers' 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 Commercial Industrial Group segment. The Company 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 Commercial Industrial Group primarily serves original equipment manufacturers and industrial markets, with do-it-yourself hardware, home center and mass merchandiser markets representing growing areas of activity. This segment also serves construction, electrical sign, appliance and oil and gas markets.

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The Company also has a wholly owned transportation subsidiary, SFZ Transportation, Inc., which is a common carrier licensed to operate in 48 states.

Acquisition and Dispositions

In 1984, the Company sold its American Lincoln and Douglas operating divisions. See Note 3 of Notes to The Company's Consolidated Financial Statements presented on page 14 to the 1984 Annual Report to Shareholders of Scott Fetzer.

The Company also sold its gray and ductile iron casting foundry and its scissors product lines in 1984 for cash.

Backlog

The Company 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 the Company's operations involves the recurring, non-seasonal production of standard items that are shipped to the customer relatively shortly after an order is received by the Company.

Raw Materials and Supplies

Raw materials required for the Company's various products are commonly available materials such as paper, steel, zinc, aluminum, iron, brass and copper, which are purchased from the producers and distributors of such items. Suppliers of component parts and castings are located in many areas throughout the country. The Company 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

The Company utilizes oil, gas and electricity as its principal energy sources. There has been no material disruption of production at any of the Company plants because of energy shortages. However, there is no assurance that energy shortages in the future will not have an adverse effect on the Company either directly or indirectly by reason of their effect on customers or suppliers.

Environmental Controls

The Company 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

The Company 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. The Company's

expenditures on company-sponsored research and development and on customer-sponsored research activities relating to the development of new products, services or techniques, or the improvement of existing products, services or techniques during fiscal years 1982, 1983 and 1984 were not material.

The Company 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.

The Company uses in its business various trademarks, trade names, patents, trade secrets and licenses. The Company does not believe 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

The Company'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 November 30, 1984, the Company employed in continuing operations 16,634 persons, of whom 13,493 were salaried and 3,141 were hourly. A total of 1,097 hourly employees in 8 of the Company's 38 United States facilities are represented by labor organizations. The Company has enjoyed generally good relations with its employees. A total of 289 employees are covered by three labor contracts which are scheduled for renegotiation during fiscal 1985.

In addition to employee benefit programs which include paid vacations, insurance, disability benefits, hospitalization benefits and medical benefits, the Company has in effect for its divisions and subsidiaries various pension and retirement plans for salaried and hourly personnel, including non-contributory trustee pension plans, defined contribution plans, defined benefit plans and profit-sharing retirement plans.

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 the number of facility locations in each city.

UNITED STATES				
State	City		Business Segment	Type
Arkansas	Walnut Ridge*	(1)	A	Plant
California	Merced	(1)	B	Plant
Colorado	Broomfield	(1)	A	Plant
Connecticut	Shelton*	(1)	A	Plant
Illinois	Chicago*	(2)	C	Office/Whse
Indiana	Ft. Wayne	(2)	A	Plant
	Elkhart*	(1)	A	Warehouse
Kentucky	Leitchfield	(1)	A	Plant

New York	Watertown	(1)	B	Plant
Ohio	Avon Lake	(1)	B	Plant
	Bedford Hts.	(1)	B	Plant
	Cardington	(1)	B	Plant
	Chagrin Falls*	(1)	A	Plant
	Cleveland	(6)	A/B	Plant
	Cleveland*	(1)	A	Plant
	Fremont	(1)	A	Plant
	Harrison*	(1)	A	Plant
	Harrison*	(1)	A	Plant
	Twinsburg*	(2)	A	Plant
	Westlake	(1)	D	Office
	Westlake	(1)	A/B	Plant
	Wooster	(1)	B	Plant
Oklahoma	Durant*	(1)	B	Plant
Tennessee	Fairview	(2)	B	Plant
	Livingston	(1)	B	Plant
	Mt. Juliet*	(1)	A	Plant
	Portland	(1)	B	Plant
	Smithville	(1)	B	Plant
Texas	Andrews	(1)	A	Plant

- (A) Household Products & Services Group;
- (B) Commercial Industrial Group;
- (C) Education, Information & Training Group;
- (D) Corporate Office.

The Company 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 the Company's properties varies among its plants from time to time.

The Company's various continuing operations are conducted in 39 facilities in 27 locations in 12 states and Canada. The Company maintains sales offices and warehouse facilities in various foreign countries and conducts certain manufacturing operations in Whitby, Ontario. Many of the Company'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 the Company's facilities is generally adequate at current levels of operation. Various of the Company's facilities are leased, with options to purchase in some cases.

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ITEM 3. Legal Proceedings

On November 7, 1984, a complaint was filed in the Court of Common Pleas of Cuyahoga County, Ohio, entitled Stepak v. Schey, et al. (Civ. Action No. 84-082747-CV), purportedly on behalf of a class of all owners of Common Shares, excluding defendants and persons acting in concert with them, against the Company and certain of its current directors and one of its former directors and Kelso & Company ("Kelso") based upon the proposal contained in the November 1, 1984 letter from Kelso to the Company. The suit alleges, among other things, that the defendants have carried out a "preconceived plan" the objective of which is to "eliminate the public shareholders of Scott & Fetzer and obtain complete ownership of Scott Fetzer for themselves and, thus, appropriate to themselves the benefit of Scott & Fetzer's potential growth and profitability"; that such "plan" is designed to preempt and thwart the interests of other suitors for the Company and to place an artificially low price ceiling on the Common Shares; that the consideration to be paid pursuant to Kelso's November 1, 1984 proposal is "not a result of arm's-length negotiations"; that such consideration is so "grossly inadequate as to constitute a fraud upon the members of the class"; and that the defendants did not "(a) undertake an adequate evaluation of Scott & Fetzer's worth as a potential merger or acquisition candidate or take adequate steps to enhance Scott Fetzer's value or attractiveness as a merger acquisition candidate; (b) effectively attempt to dispose of Scott & Fetzer's assets; (c) attempt to solicit arm's-length bids to acquire all or part of Scott & Fetzer's business, or (d) act so that the interests of the public shareholders of Scott & Fetzer were protected." In the complaint, plaintiff seeks an injunction, damages and other relief. In addition, plaintiff seeks to rescind the "transaction" if it is consummated.

On December 20, 1984, this action was removed by the Company and the individuals named as defendant in plaintiff's complaint from the Court of Common Pleas to the United States District Court for the Northern District of Ohio, Eastern Division, where it is currently pending at Case No. C84-3839. Plaintiff thereafter moved to remand the action to the Court of Common Pleas which the U.S. District Court overruled. The Company has filed its Answer to Plaintiff's complaint, denying each of the violations alleged by plaintiff, and the Company and the individual defendants have moved to dismiss plaintiff's complaint as untimely, insofar as plaintiff's claims were based upon the November 1, 1984 proposal by Kelso, which expired after November 8, 1984. Plaintiff has moved for reconsideration of the District Court's decision denying remand and has not responded to the Company's Motion to Dismiss. The Court has made no ruling on plaintiff's Motion for Reconsideration, which the Company opposed, or on the Company's Motion to Dismiss.

The Company believes that the claims asserted in these complaints are without merit and intends to defend against them vigorously.

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

Not applicable.

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, 1985. 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	59	Vice President, Scott Fetzer; President, Commercial Industrial Group
John Bebbington has been employed by Scott Fetzer for more than five years as Vice President.		
J. F. Bradley	54	Vice President - Scott Fetzer, 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).		
Kenneth D. Hughes	63	Vice President and Controller
Kenneth D. Hughes has been employed by Scott Fetzer for more than five years as Vice President, Controller and Treasurer (1/1/70 to 8/31/84) and Vice President and Controller (8/31/84 to present.)		
Kearney K. Kier	48	Vice President; President Household Products & Services Group
Kearney K. Kier has been employed by Scott Fetzer as Vice President and President, Household Products & Services Group (1984) and as Group Vice President (1979 to 1984).		
Walter A. Rajki	59	Vice President

Walter A. Rajki has been employed by Scott Fetzer as Vice President (1984) and Senior Vice President (since prior to 1980 to 1984).

Ralph E. Schey

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Chairman, President, and Chief Executive Officer

Ralph E. Schey has been employed by Scott Fetzer for more than five years in such capacities as Chairman, President and Chief Executive Officer (12/1/76 to 9/15/82, 9/6/84 to present) and Chairman and Chief Executive Officer (9/15/82 to 9/06/84).

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) and Senior Vice President, Finance & Administration (4/1/83 to present).

K. Wayne Smith

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

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

William W.T. Stephans

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Vice President and Treasurer

William W.T. Stephans has been employed by Scott Fetzer as

Vice President and Treasurer since September 11, 1984. Prior to that he held various positions with TRW, Inc. of Cleveland, Ohio. Until September, 1980, he was Controller of their Michigan Division; between September, 1980 and August, 1984 he was Assistant Treasurer, U.S. and Canada Finance.

Robert C. Weber

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Vice President, General Counsel and Secretary

Robert C. Weber has been employed by Scott Fetzer for more than five years in such capacities as Secretary, General Counsel (12/20/72 to 12/2/80) and Vice President, General Counsel and Secretary (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 5 of the Annual Report to shareholders for the year ended November 30, 1984, is incorporated herein by reference. The number of holders of common shares of Scott Fetzer as of January 31, 1985, was 4,718. The Scott Fetzer Common Stock is listed on the New York, Midwest and Pacific Stock Exchanges.

Pursuant to the Agreement and Plan of Merger, dated as of February 13, 1985, between Kelso Acquisition Company and the Company, the Company is prohibited from paying dividends on any shares of its capital stock without the consent of General Electric Credit Corporation ("GECC") for so long as the commitment letter, dated February 13, 1985, from GECC to Kelso & Company remains in effect.

ITEM 6. Selected Financial Data

Selected Financial Data on page 1 of the Annual Report to shareholders for the year ended November 30, 1984, is incorporated herein by reference.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 4 through 6 of the Annual Report to shareholders for the year ended November 30, 1984, 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 8 through 19 of the Annual Report to shareholders for the fiscal year ended November 30, 1984, are incorporated herein by reference:

Consolidated Statement of Income for the fiscal years ended November 30, 1984, 1983 and 1982.

Consolidated Balance Sheet as of November 30, 1984 and 1983.

Consolidated Statement of Changes in Financial Position for the fiscal years ended November 30, 1984, 1983 and 1982.

Consolidated Statement of Shareholders' Equity for the fiscal years ended November 30, 1984, 1983 and 1982.

Notes to Consolidated Financial Statements.

ITEM 9. Disagreements on Accounting and Financial Disclosure

Not applicable.

PART IIIITEM 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 25, 1985, which information is incorporated herein by reference.

ITEM 11. Management Remuneration

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

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The information concerning beneficial ownership of the Company's Common Shares on pages 1, 2 and 12 of the Proxy Statement is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions

None.

PART IVITEM 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.
- (iii) Amendment to Regulations ratified by the Shareholders of the Company March 27, 1984.
- (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.
- (vi) Revolving Credit Agreements between The Scott & Fetzer Company and various banks dated December 19, 1984.
- (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 previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
- (iv) Amendments to stock option agreements made prior to November, 1983 previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
- (v) Amendments to stock option agreements adopted by The Board of Directors in May, 1984.
- (vi) Form of Deferred Compensation Agreement between The Scott & Fetzer Company and certain officers and key employees.
- (vii) Form of Deferred Compensation Agreement between The Scott & Fetzer Company and nonemployee directors previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
- (viii) Amended Employment Agreement between The Scott & Fetzer Company and Mr. Ralph E. Schey previously submitted as an Exhibit to

- Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
- (ix) Termination Agreement dated September 5, 1984, between The Scott & Fetzer Company and Mr. Gary A. Childress.
 - (x) Letter of understanding between The Scott & Fetzer Company and Kenneth J. Semelsberger previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
 - (xi) Letter of understanding dated February 23, 1983, between The Scott & Fetzer Company and K. Wayne Smith previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
 - (xii) Amended Contingent Compensation Agreements between The Scott & Fetzer Company and Messrs. Schey, Bebbington, Bradley, Kier, Rajki and Semelsberger, previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
 - (xiii) Forms of Letter Agreements between the Company and certain officers and key employees relating to compensation paid as a result of a termination following a change in control as defined in said Letter Agreements.
 - (xiv) Consulting Agreement dated March 2, 1984, between The Scott & Fetzer Company and Robert W. Bjork.
 - (xv) Consulting Agreement between The Scott & Fetzer Company and Stephen H. Fuller previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.
 - (xvi) 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.
 - (xvii) Form of agreement to reimburse medical expenses to directors and certain employees previously submitted as an Exhibit to

Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.

(xviii) Form of \$50,000 term life insurance policy for nonemployee directors previously submitted as an Exhibit to Registrant's Form 10-K Annual Report for 1983 and incorporated herein by reference.

(xix) Agreement and Plan of Merger between Kelso Acquisition Company and The Scott & Fetzer Company dated February 13, 1985, previously submitted as an Exhibit to Registrant's current Report on Form 8-K dated February 27, 1985, and incorporated herein by reference.

(xx) Agreement between General Electric Credit Corporation and The Scott & Fetzer Company dated February 13, 1985, previously submitted as an Exhibit to Registrant's current Report on Form 8-K dated February 27, 1985, and incorporated herein by reference.

(13) The Scott & Fetzer Company's 1984 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, 1984. 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.

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 February 27, 1985

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

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

K. W. Smith
Vice President
Director

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

Kenneth K. Kier
K. K. Kier
Vice President
Director

William W. T. Stephans
Wm. W. T. Stephans
Vice President and Treasurer

S. H. Fuller
Director

R. W. Bjork
Director

J. A. Hughes
Director

L. C. Jones
Director

M. A. White
Director

SIGNATURES

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The Scott & Fetzer Company

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

Date _____

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Director

K. W. Smith
Vice President
Director

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

K. K. Kier
Vice President
Director

Wm. W. T. Stephans
Vice President and Treasurer

S. H. Fuller
S. H. Fuller
Director

R. W. Bjork
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Director

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Wm. W. T. Stephans
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Director

J. A. Hughes
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M. A. White
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Senior Vice President-
Finance and Administration
(Principal Financial Officer)
Director

K. D. Hughes
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R. W. Bjork
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L. C. Jones
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Director

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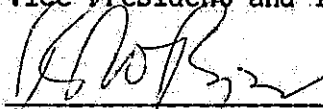
R. E. Schey
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Director

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By _____
K. J. Semelsberger
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Director

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J. A. Hughes
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L. C. Jones
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M. A. White
Director

[Handwritten mark]

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

The consolidated financial statements and the report thereon of Independent Certified Public Accountants appear on pages 4 through 19 of the attached 1984 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 1984 Annual Report to shareholders is not deemed filed as part of this report.

	<u>Page Numbers</u>
	Annual Report To <u>Shareholders</u>
Form 10-K	
Report and Consent of Independent Certified Public Accountants	F-2
Report of Independent Certified Public Accountants	7
Consolidated Financial Statements	
Statement of Income, years ended November 30, 1984, 1983 and 1982	8
Balance Sheet, November 30, 1984 and 1983	9
Statement of Changes in Financial Position, years ended November 30, 1984, 1983 and 1982	10
Statement of Shareholders' Equity, years ended November 30, 1984, 1983 and 1982	11
Business Segment Information	12 - 13
Notes to Financial Statements	14 - 19
Consolidated Schedules	
I - Marketable Securities	F-3
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
Statements of Income and Retained Earnings, years ended November 30, 1984, 1983 and 1982	F-9
Balance Sheet, November 30, 1984 and 1983	F-10
Statement of Changes in Financial Position, November 30, 1984, 1983 and 1982	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 that 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 1984 annual report to shareholders of The Scott & Fetzer Company and appears on page 7 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 14, 1985 on examinations of the consolidated financial statements and financial statement schedules of The Scott & Fetzer Company as of November 30, 1984 and 1983, and for the years ended November 30, 1984, 1983 and 1982, which report is included in this Annual Report on Form 10-K.

Coopers & Lybrand
COOPERS & LYBRAND

Cleveland, Ohio
January 14, 1985 (Except for
Note 2 as to which the date
is February 13, 1985)

THE SCOTT & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE I - MARKETABLE SECURITIES

As of November 30, 1984

(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>
Tax Free Municipal Securities	\$ 20,600	\$ 20,600

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, 1984, 1983 and 1982

Year Ended November 30,	COLUMN A Name of Debtor	COLUMN B Balance at Beginning of Period	COLUMN C Additions	COLUMN D Deductions		COLUMN E Balance at End of Period	
				Amounts Collected	Amounts Written Off	Current	Not Current
1984	Robert H. King	\$ 58,125	--	\$ 22,500	--	\$ 22,500	\$ 13,125
1983	Robert H. King	\$ 87,500	--	\$ 29,375	--	\$ 22,500	\$ 35,625
1982	Robert H. King	\$137,500	--	\$ 50,000	--	\$ 50,000	\$ 37,500

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 & FETZER COMPANY AND SUBSIDIARY COMPANIES

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
for the years ended November 30, 1984, 1983 and 1982

(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, 1984 Allowance for Doubtful Accounts	\$12,145	\$ 6,514	\$ 858 (A)	\$ 7,267 (B)	\$12,250
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

(A) Reclassified from other balance sheet accounts.

(B) Write-off of uncollectible accounts less recoveries. The 1984 and 1983 amounts also reflect account reductions related to the disposal of operations.

NOTE: In addition to the expense amounts in Column C the Company charged bad debt expense for \$11,175, \$11,933 and \$11,167 for the years ended November 30, 1984, 1983 and 1982, 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, 1984, 1983 and 1982

(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>
Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period (A)	Weighted Average Interest Rate During the Period Based on Monthly Average Balances Outstanding
Year Ended November 30, 1984 Amounts Payable to Banks for Borrowings	\$4,082	12.6%	\$5,359	\$4,495	14.2%
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%

At November 30, 1984, 1983 and 1982, 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, 1984, 1983 and 1982
(Dollars in thousands)

Year Ended November 30, 1984	
Maintenance and Repairs	\$ 8,755
Advertising	\$25,337
Year Ended November 30, 1983	
Maintenance and Repairs	\$ 7,003
Advertising	\$21,410
Year Ended November 30, 1982	
Maintenance and Repairs	\$ 6,946
Advertising	\$16,772

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

REPORT ON EXAMINATIONS OF CONSOLIDATED FINANCIAL STATEMENTS
for the years ended November 30, 1984 and 1983

**Coopers
& Lybrand**

Certified Public Accountants

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

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

We have examined the consolidated balance sheet of World Book Finance, Inc. and its Subsidiary as of November 30, 1984 and 1983, and the related consolidated statements of income and retained earnings and changes in financial position for the years ended November 30, 1984, 1983 and 1982. 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, 1984 and 1983, and the consolidated results of their operations and changes in their financial position for the years ended November 30, 1984, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Chicago, Illinois
January 14, 1985

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

ASSETS

	<u>November 30</u>	
	<u>1984</u>	<u>1983</u>
Cash and short-term investments	\$ 25,756	\$ 28,943
Finance receivables, net (Note 2)	105,645	98,806
Due from affiliates	4,470	6,038
Accrued interest receivable	507	283
Other assets	503	570
	<u>\$136,881</u>	<u>\$134,640</u>
Total assets		

LIABILITIES

Accrued interest and other expenses	\$ 4,044	\$ 3,833
Distributors' reserves (Note 3)	4,177	3,010
Unearned acquisition fees	1,153	586
Term debt (Note 4)	86,875	89,500
	<u>96,249</u>	<u>96,929</u>
Total liabilities		

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	14,631	11,710
	<u>40,632</u>	<u>37,711</u>
Total shareholder's equity		
Total liabilities and shareholder's equity	<u>\$136,881</u>	<u>\$134,640</u>

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY
 CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
 (Dollars in Thousands)

	<u>Year Ended November 30</u>		
	<u>1984</u>	<u>1983</u>	<u>1982</u>
Revenue			
Facilitating fee	\$ 9,417	\$12,997	\$12,102
Earned finance charges and acquisition fees	10,476	7,535	5,337
Short-term interest income	3,117	2,852	4,989
	<u>23,010</u>	<u>23,384</u>	<u>22,428</u>
Expenses			
Provision for credit losses	946	1,259	2,067
Operating expenses	4,648	4,426	3,828
Interest	11,598	11,776	11,022
	<u>17,192</u>	<u>17,461</u>	<u>16,917</u>
Income before income taxes	<u>5,818</u>	<u>5,923</u>	<u>5,511</u>
Provision for income taxes			
Federal	2,487	2,476	2,275
State and local	410	540	565
	<u>2,897</u>	<u>3,016</u>	<u>2,840</u>
Net income	2,921	2,907	2,671
Beginning retained earnings	<u>11,710</u>	<u>8,803</u>	<u>6,132</u>
Ending retained earnings	<u>\$14,631</u>	<u>\$11,710</u>	<u>\$ 8,803</u>

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 (Dollars in Thousands)

	Year Ended November 30		
	<u>1984</u>	<u>1983</u>	<u>1982</u>
Sources of funds			
From operations			
Net income	\$ 2,921	\$ 2,907	\$ 2,671
Add (deduct) items not requiring funds			
Change in operations portion of due from affiliates	1,057	63	(2,142)
Change in accrued interest receivable	(224)	136	1,156
Change in accrued interest and other expenses	211	(100)	744
Change in other assets	67	(389)	(117)
Increase in unearned acquisition fees	567	62	242
Increase in unearned finance charges	3,059	285	3,109
Provision for credit losses	946	1,259	2,067
Total from operations	<u>8,604</u>	<u>4,223</u>	<u>7,730</u>
Increase in distributors' reserves	<u>1,167</u>	<u>506</u>	<u>1,058</u>
Subtotal	9,771	4,729	8,788
Decrease in cash and short-term investments	<u>3,187</u>	<u>912</u>	<u>12,485</u>
	<u>\$12,958</u>	<u>\$ 5,641</u>	<u>\$21,273</u>
Application of funds			
Change in finance receivables	\$10,844	\$ (728)	\$16,736
Change in nonoperations portion of due from affiliates	(511)	3,744	1,912
Decrease in term debt	<u>2,625</u>	<u>2,625</u>	<u>2,625</u>
	<u>\$12,958</u>	<u>\$ 5,641</u>	<u>\$21,273</u>

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

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY
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 non-recourse 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 non-recourse 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 principally with recourse, under the provisions of an operating agreement dated June 30, 1981, from the independent contractor-distributors of the Kirby Division of Scott Fetzer. Purchased receivables for Kirby 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.

Contract Reserve - Upon the purchase of non-recourse 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

1. Accounting Policies, continued

Distributors' Reserves - Upon the purchase of recourse receivables, a percentage 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 are reviewed and excess amounts are remitted to the 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. The Company files a separate state tax return.

2. Finance Receivables

The maturities and an analysis of the amounts deducted from finance receivables at November 30, 1984 and 1983 are as follows:

	1984		1983	
	Non-recourse	Recourse	Non-recourse	Recourse
Due in one year or less	\$ 16,402	\$38,409	\$ 34,443	\$28,741
Due after one but not more than two years	44,328	14,080	39,920	8,144
Due after two years	<u>26,367</u>	<u>2,306</u>	<u>25,113</u>	<u>370</u>
Finance receivables	<u>87,097</u>	<u>54,795</u>	<u>99,476</u>	<u>37,255</u>
Contract reserves	(26,109)		(29,671)	
Unearned finance charges		(8,117)		(5,058)
Allowance for credit losses		<u>(2,021)</u>		<u>(3,196)</u>
Finance receivables, net	<u>60,988</u>	<u>44,657</u>	<u>69,805</u>	<u>29,001</u>
Total non-recourse and recourse finance receivables, net		<u>\$105,645</u>		<u>\$98,806</u>

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Finance Receivables, continued

The change in the contract reserve from December 1, 1982 through November 30, 1984 is as follows:

	<u>1984</u>	<u>1983</u>
Balance, beginning of year	\$ 29,671	\$ 39,850
Amount withheld on purchase of receivables	11,340	16,201
Defaulted receivables	(12,821)	(15,152)
Reduction in contract reserve		(10,830)
Reserves returned per operating agreement	<u>(2,081)</u>	<u>(398)</u>
	<u>(3,562)</u>	<u>(10,179)</u>
Balance, end of year	<u>\$ 26,109</u>	<u>\$ 29,671</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, 1982 through November 30, 1984:

	<u>1984</u>	<u>1983</u>
Balance, beginning of year	\$ 3,010	\$ 2,504
Amounts withheld on purchases	4,364	3,230
Repurchases	(3,430)	(3,794)
Refunds to distributors	(670)	(102)
Other	<u>903</u>	<u>1,172</u>
Balance, end of year	<u>\$ 4,177</u>	<u>\$ 3,010</u>

WORLD BOOK FINANCE, INC. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

4. Term Debt

Term debt at November 30, 1984 and 1983 consisted of the following:

	<u>1984</u>	<u>1983</u>
Promissory notes, repayable in annual installments of \$2,625 through 1997, with a final payment of \$2,750 on August 31, 1998 with 10% interest payable semiannually	\$36,875	\$39,500
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>
	<u>\$86,875</u>	<u>\$89,500</u>

Aggregate maturities of term debt during the five-year period November 30, 1985 through November 30, 1989 are \$32,625, \$7,625, \$7,625, \$7,625 and \$7,625, respectively, and \$23,750 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 income subsequent to November 30, 1979. At November 30, 1984, retained earnings in the amount of \$12,356 were available for the payment of dividends.

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EXHIBIT INDEX
TO FORM 10-K
THE SCOTT & FETZER COMPANY
For The Fiscal Year Ended
November 30, 1984

	<u>Exhibit</u>	<u>Page Number</u>
<u>ITEM 14.</u>		
(3)(i)	Articles of Incorporation (as amended)	*
(ii)	Regulations	*
(iii)	Amendment to Regulations	44-51
(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 25 million dollar note	*
(v)	Term loans aggregating 25 million dollars between World Book Finance, Inc., and National City Bank and Society National Banks	*
(vi)	Revolving Credit Agreements	52-331
(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	*
(iv)	Amendment to stock option agreements made prior to November, 1983	*
(v)	Amendments to stock option agreements	332-347

- (vi) Form of Deferred Compensation Agreement between The Scott & Fetzer Company and certain officers, and key employees 348-360
- (vii) Form of Deferred Compensation Agreement between The Scott & Fetzer Company and nonemployee directors *
- (viii) Employment Agreement dated June 28, 1983, and amendments thereto, between The Scott & Fetzer Company and Mr. Ralph E. Schey *
- (ix) Termination Agreement dated September 5, 1984, between The Scott & Fetzer Company and Mr. Gary A. Childress 361-362
- (x) Letter of understanding between The Scott & Fetzer Company and Kenneth J. Semelsberger * J
- (xi) Letter of understanding dated February 23, 1983, between The Scott & Fetzer Company and K. Wayne Smith *
- (xii) Amended Contingent Compensation Agreements between Scott & Fetzer Company and Messrs. Schey, Bebbington, Bradley, Kier, Rajki and Semelsberger *
- (xiii) Forms of Letter Agreements between the Company and certain officers and key employees relating to compensation paid as a result of a termination following a change in control 363-377
- (xiv) Consulting Agreement dated March 2, 1984, between The Scott & Fetzer Company and Robert W. Bjork 378-379
- (xv) Consulting Agreement between The Scott & Fetzer Company and Stephen H. Fuller *
- (xvi) Insurance contracts between certain officers and employees for long-term disability and death benefits *
- (xvii) Form of agreement to reimburse medical expenses to directors and certain employees *
- (xviii) Form of \$50,000 term life insurance policy for nonemployee directors *
- (xix) Agreement and Plan of Merger between

Kelso Acquisition Company and The Scott & Fetzter Company *

(xx) Agreement between General Electric Credit Corporation and The Scott & Fetzter Company *

(13) The Scott & Fetzter's 1984 Annual Report to Shareholders

380-403

(22) Subsidiaries to The Scott & Fetzter Company

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*Previously filed; incorporated herein by reference.

RESOLVED FURTHER, that the shareholders be requested to amend at said Annual Meeting Article II of the Amended Code of Regulations of the Company be amended by deleting the present Section 1 and substituting a new Section 1 in substantially the form presented to this meeting and hereby ordered to be annexed to the minutes of this meeting as Annex XIV, with such changes thereon as may be approved by the officers of the Company."

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AMENDED CODE OF REGULATIONS

OF

THE SCOTT & FETZER COMPANY

ARTICLE I

SHAREHOLDERS

Section 1. Annual Meeting. The Annual Meeting of Shareholders of the corporation shall be held at the principal office of the corporation in Lakewood, Ohio, or at such other place either within or without the State of Ohio as may be designated by the Board of Directors and specified in the notice of such meeting, at eleven o'clock, A. M., or at such other time as may be designated by the Board of Directors and specified in the notice of the meeting, on the fourth Tuesday in March, if not a legal holiday, and, if a legal holiday, then on the next succeeding business day, for the purpose of electing a Board of Directors, considering reports laid before the meeting, and transacting such other business as may be specified in the notice of the meeting or as may properly be brought before the meeting.

Section 2. Special Meetings. Special meetings of the shareholders of the corporation may be held on any business day, when called by the President, or by a Vice President, or by a majority of the members of the Board of Directors acting with or without a meeting, or by the persons who hold twenty-five per cent of all the shares outstanding and entitled to vote thereat. Such meetings shall be held at the principal office of the corporation, unless the same is called by the Board of Directors, in which case such meetings may be held at any place, either within or outside the State of Ohio, designated by the Board and specified in the notice of such meeting.

Section 3. Notice of Meetings. Not less than ten days nor more than sixty days before the date fixed for a meeting of shareholders, written notice of the time, place and purposes of such meeting shall be given by the Secretary, or by the Assistant Secretary, or by any other person or persons required or permitted by law to give such notice. The notice shall be served upon or mailed to each shareholder entitled to notice of the meeting; if mailed, the notice shall be directed to the shareholders at their respective addresses as they appear upon the records of the corporation. Notice of the time, place, and purpose of any meeting of shareholders may be waived in writing, either before or after the holding of such meeting, by any shareholder entitled to notice, which writing shall be filed with or entered upon the records of the meeting. The attendance of any shareholder at any such meeting without protesting the lack of proper notice shall be deemed to be a waiver of notice of such meeting.

Section 4. Quorum. Except as may be otherwise provided by law or by the Articles of Incorporation, at any meeting of the shareholders, the holders of shares entitling them to exercise a majority of the voting power of the corporation and present in person or by proxy shall constitute a quorum for such meeting; provided, however, that no action required by law or by the Articles of Incorporation or this Code of Regulations to be taken by a specified proportion of the voting power of the corporation or of any class of shares may be taken by

a lesser proportion; and provided, further, that the holders of a majority of the voting shares represented thereat, whether or not a quorum is present, may adjourn such meeting from time to time.

Section 5. Proxies. The instrument appointing a proxy shall be in writing and subscribed by the person making the appointment. The person so appointed need not be a shareholder. Unless the writing appointing the proxy otherwise provides, the presence of a shareholder at a meeting shall not operate to revoke the writing appointing the proxy unless and until notice of such revocation is given to the corporation in writing or in open meeting.

ARTICLE II

BOARD OF DIRECTORS

Section 1. Election, Number and Term of Office. Directors shall be elected (i) at the Annual Meeting of Shareholders, or if not so elected, at a special meeting of shareholders called for that purpose, or (ii) by the Board of Directors as provided for herein. At any meeting of shareholders at which directors are to be elected, only persons nominated as candidates shall be eligible for election.

The directors shall be divided into three classes, each class to consist of such number of directors, not less than three, as the shareholders may determine. A separate election shall be held for each class of directors as hereinafter in this paragraph provided. At each annual election the successors to the directors of each class whose term shall expire in that year shall be elected to hold office for the term of three years from the date of their election and until the election of their successors. In case of any increase in the number of directors of any class, any additional directors elected to such class shall hold office for a term which shall coincide with the term of such class.

In addition to the authority of the shareholders to determine the number of directors, the number of directors so determined may be increased or decreased by not more than one in any class between meetings of the shareholders by the Board of Directors at a meeting or by action without a meeting, and the number of directors as so changed shall be the number of directors until further changed in accordance with this Section; provided, that no such decrease in the number of directors shall decrease the number of directors in any class to less than three or result in the removal of any incumbent director or reduction in term of any incumbent director; and further provided, that no such increase in the number of directors shall increase by more than one the number of directors in all classes as last determined by the shareholders. In the event that the directors increase the number of directors, the directors who are then in office may fill any vacancy created thereby.

All directors, for whatever terms elected, shall hold office subject to provisions of statute as to the creation of vacancies and removal.

Section 2. Organization Meeting. Immediately after each annual meeting of the shareholders, the newly elected Board of Directors shall hold an organization meeting at the same place for the purpose of electing officers and

transacting any other business. Notice of such meeting need not be given.

Section 3. Meetings. Meetings of the Board of Directors may be held at any time within or without the State of Ohio upon call by the President or Vice President or by not less than one-third of the directors. Notice of the time and place of such meeting shall be served upon or telephoned to each director at least twenty-four hours, or mailed, radioed or telegraphed to each director at his address as shown by the books of the corporation at least forty-eight hours prior to the time of the meeting, provided, however, that attendance of any director at any such meeting without protesting the lack of proper notice shall be deemed to be a waiver of notice of such meeting and such notice may be waived in writing, either before or after the holding of such meeting, by any director, which writing shall be filed with or entered upon the records of the meeting. Unless otherwise indicated in the notice thereof, any business may be transacted at any organization, regular, or special meeting.

Section 4. Quorum. A quorum of the Board of Directors shall consist of a majority of the members of the Board of Directors then in office; provided that any organization meeting, or other meeting duly held, whether a quorum is present or otherwise, may, by vote of a majority of the directors present at the meeting, adjourn from time to time and place to place without notice other than by announcement at the meeting. At each meeting of the Board at which a quorum is present, all questions and business shall be determined by a majority vote of those present except as in this Code of Regulations otherwise expressly provided.

Section 5. By-Laws. The Board of Directors may adopt By-Laws for its own government, not inconsistent with the Articles of Incorporation or this Amended Code of Regulations.

Section 6. Action Without A Meeting. Any action which may be authorized or taken at a meeting of the directors may be authorized or taken without a meeting, in a writing or writings signed by all the directors, which writing or writings shall be filed with or entered upon the records of the corporation.

Section 7. Committees. The directors from time to time create an executive committee or any other committee or committees of directors to act in the intervals between meetings of the directors and may delegate to such committee or committees any of the authority of the directors other than that of filling vacancies among the directors or in any committee of the directors. No committee shall consist of less than three directors. The directors may appoint one or more directors as alternate members of any such committee, who may take the place of any absent member or members at any meeting of committee.

Unless otherwise ordered by the directors, a majority of the members of any committee appointed by the directors pursuant to this section shall constitute a quorum at any meeting thereof, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing or writings signed by all of its members. Any such committee shall prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the directors, and shall keep a written record of all action taken by it.

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ARTICLE III

OFFICERS

Section 1. Election and Designation of Officers. The Board of Directors, at its organization meeting, shall elect a President, one or more Vice Presidents, A Secretary, A Treasurer, and, in its discretion, may elect a Chairman of the Board, an Assistant Secretary or Secretaries, an Assistant Treasurer or Treasurers, and such other officers as the Board may deem necessary. The President and Chairman of the Board shall be directors, but no one of the other officers need be a director; provided, however, that a Vice President who is not a director shall not succeed to the office of President.

Any two or more of such offices, except those of President and Vice President, Secretary and Assistant Secretary, or Treasurer and Assistant Treasurer, may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity, if such instrument is required to be executed, acknowledged, or verified by two or more officers.

Section 2. Term of Office. Vacancies. The officers of the corporation shall hold office at the pleasure of the Board of Directors until their successors are elected, except in case of resignation, death, or removal. The Board of Directors may remove any officer at any time with or without cause by a majority vote of the whole Board. A vacancy in any office, however created, may be filled by election by the Board of Directors.

Section 3. Authorities and Duties of Officers. The officers of the corporation shall have such authority and shall perform such duties as are customarily incident to their respective offices, or as may be specified from time to time by the directors regardless of whether such authority and duties are customarily incident to such office.

ARTICLE IV

COMPENSATION

Members of the Board of Directors and members of any committee of the Board shall, as such, receive such compensation, which may be either a fixed sum for attendance at each meeting of the Board, or at each meeting of the committee, or stated compensation payable at intervals, or shall otherwise be compensated as may be determined by the Board of Directors. No member of the Board of Directors and no member of any committee of the Board shall be disqualified from being counted in the determination of a quorum at any meeting of either the Board or a committee of the Board by reason of the fact that matters affecting his own compensation as a director, member of a committee of the Board, an officer, or employee are to be determined, or shall be disqualified from acting other than on matters directly relating to such member's own compensation.

ARTICLE V

VOTING UPON SHARES OF OTHER CORPORATIONS

Subject to the control and direction of the Board of Directors, the President, or such other person or persons as may be designated for the purpose by the Board of Directors, shall (a) on behalf of the corporation, either in person or by proxy, attend, act, and vote at any meeting of shareholders of any other corporation in which the corporation may hold shares, and at any such meeting shall possess and may exercise any and all of the rights and powers incident to the ownership of such shares and which, as the owner thereof, the corporation might have possessed and exercised if present, and (b) on behalf of the corporation, execute and deliver written consents with respect to the shares of any other corporation in which the corporation may hold shares.

ARTICLE VI

INDEMNIFICATION AND INSURANCE

Section 1. Indemnification. The corporation shall indemnify, to the full extent then permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, trustee, officer, employee or agent of another corporation, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust or other enterprise; provided, however, that the Corporation shall indemnify any such agent (as opposed to any director, officer or employee) of the corporation to an extent greater than that required by law only if and to the extent that the directors may, in their discretion, so determine. The indemnification provided hereby shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any law, the Articles of Incorporation or any agreement, vote of shareholders or of disinterested directors or otherwise, both as to action in official capacities and as to action in another capacity while he is a director, officer, employee or agent, and shall continue as to a person who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of heirs, executors and administrators of such a person.

Section 2. Insurance. The corporation may, to the full extent then permitted by law and authorized by the directors, purchase and maintain insurance on behalf of any persons described in Section 1 of this Article VI against any liability asserted against and incurred by any such person in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such liability.

ARTICLE VII

RECORD DATES

The Board of Directors may fix a date, which shall not be a past date and which shall be not more than sixty days preceding the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or (subject to contract rights with respect thereto) the date when any change or conversion or exchange of shares shall be made or go into effect, or the date as of which written consents, waivers, or releases are to be obtained from shareholders, as a record date for the determination of the shareholders entitled to notice of and to vote at any such meeting, or any adjournments thereof, or entitled to receive payment of any such dividend, distribution or allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares, or to execute consents, waivers, or releases, and, in such case, only shareholders of record on the date so fixed shall be entitled to notice of and to vote at such meeting, or any adjournments thereof, or to receive payment of such dividend, distribution, or allotment of rights, or to exercise such rights, or to execute such consents, waivers or releases, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after any record date fixed as aforesaid. The Board of Directors may close the books of the corporation against transfers of shares during the whole or any part of such period, including the time of such meeting of the shareholders or any adjournments thereof.

ARTICLE VIII

CERTIFICATES FOR SHARES

Section 1. Certificates. Each shareholder of the corporation shall be entitled to a certificate or certificates signed by the Chairman of the Board, the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and sealed with the corporate seal, certifying the number and class of paid-up shares of the corporation held by him, provided, however, that when any such certificate is countersigned by a transfer agent, who is not an employee of the corporation or by a transfer agent and by a registrar, the signatures of any such Chairman of the Board, President, Vice President, Secretary, Assistant Secretary, Treasurer, or Assistant Treasurer and the seal of the corporation upon such certificate may be facsimiles, engraved, stamped or printed.

In case any officer or officers, who shall have signed, or whose facsimile signature shall have been used, printed or stamped on any certificate or certificates for shares, shall cease to be such officer or officers of the corporation because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the corporation, such certificate or certificates, if authenticated by the endorsement thereon of the signature of

a transfer agent or registrar, shall nevertheless by conclusively deemed to have been adopted by the corporation by the use and delivery thereof, and shall be as effective in all respects as though signed by a duly elected, qualified and authorized officer or officers, and as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the corporation.

Such certificates shall be in such form, consistent with law, as shall be approved by the Board of Directors.

Section 2. Transfer of Shares. Shares of the corporation shall be transferable upon the books of the corporation by the holders thereof, in person, or by a duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares of the same class or series, with duly executed assignment and power of transfer endorsed thereon or attached thereto, and with such proof of the authenticity of the signatures to such assignment and power of transfer as the corporation or its agents may reasonably require.

Section 3. Transfer Agent and Registrar. The Board of Directors may appoint, or revoke the appointment of, transfer agents and registrars and may require all certificates for shares to bear the signatures of such transfer agents and registrars, or either of them.

ARTICLE IX

CORPORATE SEAL

The corporate seal of this corporation shall be circular in form and shall contain the name of the corporation. Failure to affix the seal of the corporation to any instrument executed on behalf of the corporation shall not affect the validity of any such instrument.

ARTICLE X

FISCAL YEAR

The fiscal year of the corporation may be fixed, from time to time, by the Board of Directors. Until changed by the Board of Directors, the fiscal year shall end November 30.

ARTICLE XI

AMENDMENTS

The Code of Regulations of the corporation may be amended or added to by affirmative vote or the written consent of the holders of shares entitling them to exercise a majority of the voting power on such proposal.

REVOLVING CREDIT

AGREEMENT

between

THE SCOTT & FETZER COMPANY

and

AMERITRUST COMPANY NATIONAL ASSOCIATION

Dated as of

December 19, 1984

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Signatures

Exhibit A: Revolving Note

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AGREEMENT

Agreement made as of December 19, 1984, by and among THE SCOTT & FETZER COMPANY ("Borrower") and AMERITRUST COMPANY NATIONAL ASSOCIATION ("Bank"):

1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.
2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.
3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Fifteen Million Dollars (\$15,000,000) which may be reduced from time to time pursuant to subsection 3.2.
 - 3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.
 - 3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced, provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.
 - 3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

for the lesser of (i) six (6) months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean the fluctuating rate of interest per year as in effect from time to time which from time to time is publicly announced by Bank in Cleveland, Ohio, as being its base rate thereafter in effect. Changes in the Base Rate shall become effective on the date set forth in each such announcement.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided,

that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.08) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in

the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

(a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or

(b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or

(c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day,

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement; but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

4.10 (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

(a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate of deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(b) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense, (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15, or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and ~~5.8~~, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof,

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA) If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9 (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

(a) any lien for a tax, assessment or government charge or levy which is not Material,

(b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,

(c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,

(d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,

(e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,

(f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,

(g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

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8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means AMERITRUST COMPANY NATIONAL ASSOCIATION;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 90005-8108) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Republics Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent, except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William D. J. Stephens
Title: Vice President - Treasurer

Address:
Ameritrust Company
National Association
900 Euclid Avenue
Cleveland, Ohio 44101
Attn: Metropolitan
Division

AMERITRUST COMPANY NATIONAL
ASSOCIATION

By James P. Byrnes
Title: Vice President

EXHIBIT A

REVOLVING NOTE

U.S. \$15,000,000

December 19, 1984
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of AMERITRUST COMPANY NATIONAL ASSOCIATION ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of FIFTEEN MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address: THE SCOTT & FETZER COMPANY

By _____
Title:

REVOLVING CREDIT

AGREEMENT

between

THE SCOTT & FETZER COMPANY

and

CENTRAL NATIONAL BANK OF CLEVELAND

Dated as of

December 19, 1984

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Exhibit A: Revolving Note

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AGREEMENT

Agreement made as of December 19, 1984, by and among THE SCOTT & FETZER COMPANY ("Borrower") and CENTRAL NATIONAL BANK OF CLEVELAND ("Bank"):

1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.

2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.

3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Five Million Dollars (\$5,000,000) which may be reduced from time to time pursuant to subsection 3.2.

3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.

3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced, provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.

3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

for the lesser of (i) six (6) months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean that interest rate established from time to time by Bank as its Prime Rate, whether or not such rate is publicly announced. The Base Rate may not be the lowest interest rate charged by Bank for commercial or other extensions of credit. Bank shall notify Borrower in writing of each change in the Base Rate and the effective date thereof. Notice in writing shall be sufficiently given when such notice is deposited in the United States mail with postage prepaid or when sent by telegram to the address set forth opposite Borrower's signature, whether or not such notice is actually received by Borrower.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower.

with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided, that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.8) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect

instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

(a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or

(b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or

(c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day,

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement; but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

4.10 (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

- (a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate of deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(b) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15, or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and 5.8, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower, as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA) If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9 (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

(a) any lien for a tax, assessment or government charge or levy which is not Material,

(b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,

(c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,

(d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,

(e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,

(f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,

(g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

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8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means CENTRAL NATIONAL BANK OF CLEVELAND;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

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Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 0011-237800) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Retail Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

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Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans, and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent, except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William W. J. Stephens
Title: Vice President - Treasurer

Address:
Central National Bank
of Cleveland
800 Superior Avenue
Cleveland, Ohio 44114
Attn: Regional Banking
Division

CENTRAL NATIONAL BANK OF
CLEVELAND

By Frank
Title: Vice President

EXHIBIT A

REVOLVING NOTE

U.S. \$5,000,000

December 19, 1984
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of CENTRAL NATIONAL BANK OF CLEVELAND ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of FIVE MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address:

THE SCOTT & FETZER COMPANY

By _____

Title: _____



**REVOLVING CREDIT
AGREEMENT**

between

THE SCOTT & FETZER COMPANY

and

**CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY OF CHICAGO**

Dated as of

December 19, 1984

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Signatures

Exhibit A: Revolving Note

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AGREEMENT

Agreement made as of December 15, 1984, by and among THE SCOTT & FETZER COMPANY ("Borrower") and CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO ("Bank"):

1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.

2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.

3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Ten Million Dollars (\$10,000,000) which may be reduced from time to time pursuant to subsection 3.2.

3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.

3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced, provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.

3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

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Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

for the lesser of (i) six (6) months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was, at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean the fluctuating rate of interest per year as in effect from time to time which from time to time is publicly announced by Bank in Chicago, Illinois, as being its base rate thereafter in effect. Changes in the Base Rate shall become effective on the date set forth in each such announcement.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided,

that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.8) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in

the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

- (a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or
- (b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or
- (c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day.

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement; but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

4.10 (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

- (a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate of deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(b) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15; or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and 5.8, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof,

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA) If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9 (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

(a) any lien for a tax, assessment or government charge or levy which is not Material,

(b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,

(c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,

(d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,

(e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,

(f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,

(g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio, Chicago, Illinois and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, and Chicago, Illinois are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 77-92166) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Retail Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent, except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:

The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William V. J. Stephen
Title: Vice President - Treasurer

Address:

Continental Illinois National
Bank and Trust Company
of Chicago
231 South LaSalle Street
Chicago, Illinois 60693
Attn: North American
Banking

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY
OF CHICAGO

By

Title:

Richard H. Hartman
Vice President

Copy to:

Continental Illinois National
Bank and Trust Company
of Chicago
1300 East Ninth Street
Suite 711
Cleveland, Ohio 44114

EXHIBIT AREVOLVING NOTE

U.S. \$10,000,000

December 19, 1984
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of TEN MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Wetlake, Ohio 44145

THE SCOTT & FETZER COMPANY

By _____
Title:

REVOLVING CREDIT

AGREEMENT

between

THE SCOTT & FETZER COMPANY

and

THE HUNTINGTON NATIONAL BANK

Dated as of

December 19, 1984

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Signatures

Exhibit A: Revolving Note

AGREEMENT

Agreement made as of December 19, 1984, by and among THE SCOTT & FETZER COMPANY ("Borrower") and THE HUNTINGTON NATIONAL BANK ("Bank"):

1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.

2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.

3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Fifteen Million Dollars (\$15,000,000) which may be reduced from time to time pursuant to subsection 3.2.

3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.

3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced, provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.

3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

for the lesser of (i) six (6) months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean the fluctuating rate of interest per year as in effect from time to time which is established by Bank as its prime commercial rate based on its consideration of economic, money market, business and competitive factors, and is not necessarily Bank's most favorable rate. Changes in the Base Rate shall become effective on the date of each change in such prime commercial rate.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided,

that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.8) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in

the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

(a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or

(b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or

(c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day,

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement; but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

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4.10 (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

(a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate of deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(b) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15, or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and 5.8, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof,

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA). If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9 (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

(a) any lien for a tax, assessment or government charge or levy which is not Material,

(b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,

(c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,

(d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,

(e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,

(f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,

(g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

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6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

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8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means THE HUNTINGTON NATIONAL BANK;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 0166-152-6155) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Retail Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent, except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William W. F. Stephen
Title: Vice President - Treasurer

Address:
The Huntington National Bank
917 Euclid Avenue
Cleveland, Ohio 44101
Attn: Multinational Group

THE HUNTINGTON NATIONAL BANK

By Jack J. [Signature] V.P.
Title: _____

EXHIBIT A

REVOLVING NOTE

U.S. \$15,000,000

December 19, 1984
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of THE HUNTINGTON NATIONAL BANK ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of FIFTEEN MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address:

THE SCOTT & FETZER COMPANY

By _____
Title:

REVOLVING CREDIT
AGREEMENT
between
THE SCOTT & FETZER COMPANY
and
NATIONAL CITY BANK
Dated as of
December 19, 1984

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Exhibit A: Revolving Note

AGREEMENT

Agreement made as of December 19, 1984, by and among THE SCOTT & FETZER COMPANY ("Borrower") and NATIONAL CITY BANK ("Bank"):

1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.

2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.

3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Twenty Million Dollars (\$20,000,000) which may be reduced from time to time pursuant to subsection 3.2.

3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.

3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced, provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.

3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

for the lesser of (i) six (6) months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean the fluctuating rate of interest per year as in effect from time to time which from time to time is publicly announced by Bank in Cleveland, Ohio, as being its base rate thereafter in effect. Changes in the Base Rate shall become effective on the date set forth in each such announcement.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided.

that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.8) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in

the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

(a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or

(b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or

(c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day,

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement; but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

4.10 (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

(a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate of deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(b) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15, or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and 5.8, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof,

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA) If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9° (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

- (a) any lien for a tax, assessment or government charge or levy which is not Material,
- (b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,
- (c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,
- (d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,
- (e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,
- (f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,
- (g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means NATIONAL CITY BANK;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 203-7181) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Retail Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent, except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William V. J. Stephens
Title: Vice President - Treasurer

Address:
National City Bank
National City Center
1900 East Ninth Street
Cleveland, Ohio 44114
Attn: Metropolitan
Division

NATIONAL CITY BANK

By [Signature]
Title: Vice President

EXHIBIT A

REVOLVING NOTE

U.S. \$20,000,000

December 19, 1984
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of NATIONAL CITY BANK ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of TWENTY MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address: THE SCOTT & FETZER COMPANY

By _____
Title:

REVOLVING CREDIT
AGREEMENT

between

THE SCOTT & FETZER COMPANY

and

THE NORTHERN TRUST COMPANY

Dated as of

December 19, 1984

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Signatures

Exhibit A: Revolving Note

AGREEMENT

Agreement made as of December 19, 1984, by and among THE SCOTT & FETZER COMPANY ("Borrower") and THE NORTHERN TRUST COMPANY ("Bank"):

1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.

2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.

3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Ten Million Dollars (\$10,000,000) which may be reduced from time to time pursuant to subsection 3.2.

3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.

3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced, provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.

3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

for the lesser of (i) six (6) months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean the fluctuating rate of interest per year as in effect from time to time which from time to time is publicly announced by Bank in Chicago, Illinois, as being its base rate thereafter in effect. Changes in the Base Rate shall become effective on the date set forth in each such announcement.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided.

that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.8) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in

the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

(a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or

(b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or

(c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day,

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement; but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

4.10. (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

- (a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(1) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15, or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and 5.8, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof,

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA) If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9 (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

- (a) any lien for a tax, assessment or government charge or levy which is not Material,
- (b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,
- (c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,
- (d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,
- (e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,
- (f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,
- (g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means THE NORTHERN TRUST COMPANY;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio, Chicago, Illinois and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, and Chicago, Illinois are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question, if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice, or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 134-120) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Retail Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent, except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William D. J. Stephens
Title: Vice President - Treasurer

Address:
The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675
Attn: Senior Vice President-
Credit Policy

THE NORTHERN TRUST COMPANY

By Philip A. Delaney, Jr.
Title: VICE PRESIDENT

EXHIBIT A

REVOLVING NOTE

U.S. \$10,000,000

December 19, 1984
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of THE NORTHERN TRUST COMPANY ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of TEN MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145

THE SCOTT & FETZER COMPANY

By _____
Title:

REVOLVING CREDIT

AGREEMENT

between

THE SCOTT & FETZER COMPANY

and

THE ROYAL BANK OF CANADA

Dated as of

December 19, 1984

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Signatures

Exhibit A: Revolving Note

AGREEMENT

Agreement made as of December 19, 1984, by and among THE SCOTT & FETZER COMPANY ("Borrower") and THE ROYAL BANK OF CANADA ("Bank"):

- 1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.
- 2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.
- 3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Fifteen Million Dollars (\$15,000,000) which may be reduced from time to time pursuant to subsection 3.2.
 - 3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.
 - 3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced; provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.
 - 3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long (as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

for the lesser of (i) six (6) months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean Bank's stated United States Dollar prime commercial lending rate per annum as determined and announced from time to time by Bank at its own discretion. Changes in the Base Rate shall become effective on the date set forth in each such announcement.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided,

that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.8) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in

the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

(a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or

(b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or

(c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day,

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement; but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

4.10 (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

- (a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

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(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: (UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate of deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(b) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15, or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and 5.8, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof,

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA) If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9 (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

(a) any lien for a tax, assessment or government charge or levy which is not Material,

(b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,

(c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,

(d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,

(e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,

(f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,

(g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means THE ROYAL BANK OF CANADA;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 246-556-5) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Retail Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent, except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William W. J. Stephens
Title: Vice President - Treasurer

Address:
The Royal Bank of Canada
New York Branch
68 William Street
New York, New York 10055
Attn: Manager, Loans
Administration

THE ROYAL BANK OF CANADA

By Stephen R. Kangas
Title: Manager, Corporate Banking

Copy to:
The Royal Bank of Canada
600 Grant Street
Suite 4970
Pittsburgh, PA 15219

EXHIBIT A

REVOLVING NOTE

U.S. \$15,000,000

December 19, 1984,
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of THE ROYAL BANK OF CANADA ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of FIFTEEN MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address:

THE SCOTT & FETZER COMPANY

By

Title:

**REVOLVING CREDIT
AGREEMENT
between
THE SCOTT & FETZER COMPANY
and
SOCIETY NATIONAL BANK**

**Dated as of
December 19, 1984**

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Exhibit A: Revolving Note

AGREEMENT

Agreement made as of December 19, 1984, by and among THE SCOTT FETZER COMPANY ("Borrower") and SOCIETY NATIONAL BANK ("Bank"):

1. (CROSS-REFERENCE) Certain terms not otherwise defined herein are defined in section 14.

2. (INTRODUCTION) This Agreement (a) provides for a revolving credit to be available for borrowing and reborrowing pursuant to which Borrower may obtain loans until the Revolving Credit Termination Date, which loans shall bear interest at one of the rates defined in subsection 4.4 and which, unless otherwise prepaid, shall be paid in full on the Revolving Credit Termination Date, and (b) contains certain covenants and warranties made by Borrower and Bank to induce each other to enter into this Agreement and certain other material provisions.

3. (REVOLVING CREDIT) Bank hereby establishes a Revolving Credit in the amount of Ten Million Dollars (\$10,000,000) which may be reduced from time to time pursuant to subsection 3.2.

3.1 (TERM) The Revolving Credit shall become effective as of the date of this Agreement and shall remain in effect until the Revolving Credit Termination Date, subject to any earlier reduction of the Revolving Credit to zero pursuant to subsection 3.2 or any earlier termination of the Revolving Credit pursuant to section 9.

3.2 (REDUCTION OF REVOLVING CREDIT) Borrower shall have the right at all times to permanently reduce any or all of the Revolving Credit in whole or in part by giving Bank not less than two (2) Banking Days' prior written notice of the aggregate amount by which the Revolving Credit is to be reduced and the effective date thereof. Each such reduction shall aggregate One Hundred Thousand Dollars (\$100,000) or any multiple thereof. In such notice, Borrower shall specify the amount, if any, by which each of the Basic Revolving Credit and the Supplemental Revolving Credit shall be reduced, provided, that Borrower may not reduce the Basic Revolving Credit to an amount which is less than fifty percent (50%) of the Revolving Credit as so reduced.

3.3 (ADJUSTMENT TO BASIC REVOLVING CREDIT) Subject to the provisions of subsection 3.4(d), Borrower shall have the right at all times to (a) increase the amount of the Basic Revolving Credit up to a maximum amount equal to the

Revolving Credit then in effect or (b) decrease the Basic Revolving Credit to a minimum amount equal to the fifty percent (50%) of the Revolving Credit then in effect, by giving Bank not less than one (1) Banking Day's prior written notice of the amount by which the Basic Revolving Credit is to be increased or decreased, as the case may be, and the effective date thereof, provided, that each such adjustment shall aggregate One Million Dollars (\$1,000,000) or any multiple thereof.

3.4 (COMMITMENT FEES) Bank shall, so long as the Revolving Credit remains in effect, earn a commitment fee which shall be

(a) based upon the average daily difference between the amount of the Basic Revolving Credit from time to time in effect, and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding and, if such average daily difference is a positive number, then the sum of (i) such positive number multiplied by the rate of three-eighths of one percent (3/8%) per annum, plus (ii) the amount of the Supplemental Revolving Credit from time to time in effect multiplied by the rate of one-quarter of one percent (1/4%) per annum; or

(b) if the average daily difference determined under clause (a) to this subsection 3.4 is a negative number, then based upon the average daily difference between the sum of the Basic and Supplemental Revolving Credits from time to time in effect and the aggregate unpaid principal balance of the Revolving Credit Loans then outstanding computed at the rate of one quarter of one percent (1/4%) per annum; and

(c) in each event computed on a 365-366 day basis and calculated on actual days elapsed, and paid by Borrower to Bank on November 30, 1984, and the last day of each February, May, August and November thereafter and at the Revolving Credit Termination Date; and

(d) in addition to the foregoing, each time Borrower increases the amount of the Basic Revolving Credit pursuant to subsection 3.3, Borrower shall pay to Bank a fee on the effective date of such increase which shall be based on the amount by which the Basic Revolving Credit has been increased multiplied by the rate of one-eighth of one percent (1/8%) per annum, and computed on a 365-366 day basis and calculated

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for the lesser of (i) six months, (ii) the actual number of days elapsed from the most recent preceding date on which the Basic Revolving Credit was at or above the level as so increased to the effective date of the increase, or (iii) the actual number of days elapsed since the date of this Agreement.

3.5 (REVOLVING CREDIT TERMINATION DATE) The Revolving Credit Termination Date shall be December 1, 1989, except that, in each year after 1984, unless Bank provides written notice to Borrower on or before June 1 of that year of its desire to terminate the Revolving Credit, such Revolving Credit Termination Date shall be automatically extended for one year. If Bank so notifies Borrower, the Revolving Credit shall terminate on the Revolving Credit Termination Date then in effect.

4. (REVOLVING CREDIT LOANS) Bank agrees that, subject to the terms and conditions of this Agreement, so long as the Revolving Credit remains in effect, it will grant Borrower such Revolving Credit Loan or Loans as Borrower may from time to time request up to the amount of the Basic Revolving Credit then in effect, and on the following terms and conditions.

4.1 (REVOLVING CREDIT NOTE/LOAN ACCOUNT)

(a) To evidence the Revolving Credit Loans, Borrower shall execute and deliver to Bank at the Closing, a Revolving Credit Note in a face amount equal to the Revolving Credit, which note shall be a grid note in the form and substance of Exhibit A with the blanks appropriately filled. Whenever Borrower obtains a Revolving Credit Loan or makes an election pursuant to subsection 4.5, Bank shall make an appropriate endorsement on the reverse side of the Revolving Credit Note (or any allonge thereto), but the failure to make such endorsement shall not relieve Borrower of any obligation to make any payment for which Borrower is otherwise obligated hereunder.

(b) As further evidence of the Revolving Credit Loans, Bank shall open and maintain a Loan Account in the name of Borrower. Whenever Borrower obtains a Revolving Credit Loan, such Loan Account shall be debited and all payments on account of principal of such Loan shall be credited to such Loan Account by appropriate entries. In addition, each time the Loan Account is debited, a corresponding credit should be made to Borrower's Main Account and each time the Loan

Account is credited, a corresponding debit should be made to Borrower's Main Account. The balance from time to time debited on the Loan Account shall evidence the outstanding principal amount of the Revolving Credit Loans and payments of principal and interest shall be made in reliance thereupon. In the absence of manifest error, the Bank's records shall be conclusive evidence of the balance in the Loan Account. At Borrower's request, Bank shall provide Borrower from time to time a statement reflecting the balance of the Loan Account.

4.2 (MATURITY) The Revolving Credit Note shall be payable in full at the close of business on the Revolving Credit Termination Date.

4.3 (AMOUNTS) Each Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof as Borrower may request.

4.4 (INTEREST RATE DEFINITIONS) The interest rate applicable to the principal balance of the Revolving Credit Loans from time to time outstanding hereunder shall be one or more of the alternative rates defined below:

(a) "Base Rate" shall mean the rate of interest determined and publicly announced from time to time by Bank as its prime rate. The Base Rate functions as a reference rate index, and Bank may charge borrowers a rate of interest more or less than the Base Rate. Changes in the Base Rate shall become effective on the date set forth in each such announcement.

(b) "LIBOR Rate" shall mean that rate of interest per year equal to the sum of: (i) three-eighths of one percent (3/8%), plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which eurodollar deposits are offered to Bank at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) two (2) Banking Days prior to the first day of the interest period (selected by Borrower pursuant to subsection 4.8) by prime banks in the London interbank market for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) in each case divided by 100% minus the reserve requirement for interest accruing during any month in which Bank is required to hold reserves for "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or any similar reserves under any successor regulation or regulations), with such remainder expressed as a decimal figure, provided,

that any change in the LIBOR reserve percentage (if and to the extent such change or proposed change was not known to Bank at the time the LIBOR Segment of a Revolving Credit Loan was made) shall automatically and immediately change the LIBOR Rate.

(c) "CD Rate" shall mean that rate of interest per year equal to the sum of: (i) one-half of one percent (1/2%) plus (ii) the arithmetic mean (as reasonably determined by Bank) of the rates per year at which dollar deposits are offered to Bank by certificate of deposit dealers of recognized national standing at 10:00 A.M. Cleveland time (or as soon thereafter as practicable) on the first day of the interest period (selected by Borrower pursuant to subsection 4.8) for interest periods and amounts comparable to that selected by the Borrower, with the rate in (ii) divided by one hundred percent (100%) minus any applicable reserve requirement on the date the rate is to take effect, with such remainder expressed as a decimal figure, plus (iii) the then daily net annual assessment rate, if any, estimated by Bank to be payable by Bank to the Federal Deposit Insurance Corporation for insuring such a certificate of deposit, provided, that any change in the CD reserve percentage or in the CD assessment rate (if and to the extent such change or proposed change was not known to Bank at the time the CD Rate Segment of the Revolving Credit Loan was made) shall automatically and immediately change the CD Rate.

(d) "Offered Rate(s)" shall mean that rate or those rates of interest established by Bank at its sole discretion and offered to Borrower from time to time as a fixed rate for such period as shall be established by Bank and offered to Borrower.

The LIBOR Rate, the CD Rate and any Offered Rate are hereinafter referred to from time to time individually as a "Fixed-Rate" and collectively as the "Fixed-Rates."

4.5 (FIXED-RATE ELECTIONS) The Revolving Credit Loans shall bear interest at the Base Rate except if and to the extent that Borrower may from time to time duly elect instead to have any Revolving Credit Loans or any portion thereof bear interest at a Fixed-Rate. There may be more than one such election outstanding at any one time, but each Revolving Credit Loan or portion thereof shall at any one time be governed by only one such election and shall bear interest at only one such Fixed-Rate and shall be in

the principal sum of One Hundred Thousand Dollars (\$100,000) or a multiple thereof.

4.6 (INTEREST CALCULATION AND PAYMENT)

(a) (BASE RATE PORTIONS) The principal of and overdue interest on the Base Rate Portions of the Revolving Credit Loans made by Bank shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a fluctuating rate (computed on the basis of a calendar year and actual days elapsed) equal to the Base Rate from day to day in effect. Each change in the Base Rate shall in each case automatically and immediately make a like change in the interest rate applicable under this subsection 4.6(a).

(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the Base Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on the Base Rate Portions shall be payable in arrears on March 1, June 1, September 1 and December 1 of each year and at maturity.

(b) (LIBOR SEGMENTS) The principal of and overdue interest on each LIBOR Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the LIBOR Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

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(ii) After maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what from time to time would have been the LIBOR Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each LIBOR Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than three (3) months), three (3) months after the first day of the applicable interest period and every three months thereafter and at maturity.

(c) (CD RATE SEGMENTS) The principal of and overdue interest on each CD Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the CD Rate fixed for the applicable interest period selected by Borrower in accordance with subsection 4.8.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at what from time to time would have been the CD Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each CD Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period in question and (in the case of any interest period having a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

(d) (OFFERED RATE SEGMENTS) The principal of and overdue interest on each Offered Rate Segment of the Revolving Credit Loans shall bear interest and be payable as follows:

(i) Prior to maturity on the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate (computed on the basis of a 360-day year and actual days elapsed) equal to the Offered Rate fixed for the applicable interest period offered by Bank and accepted by Borrower.

(ii) After maturity of the Revolving Credit Loans (whether by lapse of time or by acceleration), interest shall accrue at a rate equal to what would have been the Offered Rate had the Revolving Credit Loans not become mature plus a premium of two percent (2%) per annum.

(iii) Interest on each Offered Rate Segment of the Revolving Credit Loans shall be payable on the last day of the interest period for which Bank has offered the Offered Rate and (in the case of any interest period for a longer term than ninety (90) days) on the ninetieth (90th) day after the first day of the interest period in question and every ninety (90) days thereafter and at maturity.

4.7 (NOTICE OF CHANGE IN INTEREST) Whenever

(a) any portion of the Revolving Credit Loans bears interest at the Base Rate and any change occurs in the Base Rate, or

(b) Borrower elects to have interest on the Revolving Credit Loans or any portion thereof accrue at a Fixed-Rate, or

(c) any change in the interest applicable to a Fixed-Rate Segment of the Revolving Credit Loans occurs by reason of a change in the applicable reserve percentage or assessment rate,

Bank shall make the necessary computations and give Borrower prompt notice thereof. In making interest payments, Borrower shall be entitled to rely upon the most recent such notice received by it; provided, that if any interest payment shall be made in the wrong amount by reason of Bank's failure to provide a timely notice for any reason or by reason of any error in computation, any underpayment of interest shall be promptly paid by Borrower and any overpayment shall be promptly refunded to Borrower, in either case without interest on the payment or refund.

4.8 (INTEREST PERIODS) Each Fixed-Rate Segment shall have applicable thereto an interest period to be used for the purpose of computing interest thereon and to be elected by Borrower in the Formal Request therefor.

(a) The interest period for each LIBOR Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends one (1) month or two (2) or three (3) or six (6) or twelve (12) months thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day unless that day falls in another calendar month, in which latter case the interest period shall end instead on the next preceding Banking Day,

(ii) if the interest period commences on a day for which there is no numerical equivalent in the calendar month in which the interest period is to end, it shall end on the last Banking Day of that calendar month, and

(iii) no interest period shall end after the Revolving Credit Termination Date.

(b) The interest period for each CD Rate Segment shall commence on the date of borrowing and have a term, to be duly elected by Borrower, which ends thirty (30) or sixty (60) or ninety (90) or one hundred eighty (180) or three hundred sixty (360) days thereafter; provided, that

(i) if the interest period otherwise would end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) no interest period shall end after the Revolving Credit Termination Date.

(c) The interest period for each Offered Rate Segment shall commence on the date of borrowing and have the term established by Bank and offered to Borrower; provided that

(i) If the interest period would otherwise end on a day that is not a Banking Day, it shall end instead on the next following Banking Day, and

(ii) No interest period shall end after the Revolving Credit Termination Date.

(d) The principal balance of each Fixed-Rate Segment shall, as of the last day of the interest period applicable thereto, be automatically converted into and added to the Base Rate Portions unless and to the extent Borrower shall have duly elected, by a timely Formal Request, to include all or a portion of the same in a new Fixed-Rate Segment.

(e) No acceleration of maturity of the Revolving Credit Loans shall have any effect on the term of any interest period then in effect for purposes of computing interest except to the extent expressly provided otherwise by this Agreement, but in the event of any acceleration of maturity of the Revolving Credit Loans, the outstanding Fixed-Rate Segment shall, at the end of the respective interest periods be automatically converted into and added to the Base Rate Portions.

4.9 (FORMAL REQUEST AS A CONDITION) Whenever Borrower desires to borrow pursuant to this Agreement or to make an election pursuant to subsection 4.5, Borrower shall give Bank a notice specifying the principal amount, date of borrowing or effective date of election, as the case may be, applicable interest period, if any, and whether the Revolving Credit Loan shall bear interest at the Base Rate, the LIBOR Rate, the CD Rate or the Offered Rate (a "Formal Request"). The Formal Request shall be irrevocable and, except as otherwise provided in subsection 4.14, shall be given to Bank not later than 10:00 A.M. Cleveland time

(a) on the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the Base Rate, the CD Rate or the Offered Rate, and

(b) two (2) Banking Days prior to the date of borrowing or the effective date of the election (as the case may be) if the applicable interest rate is to be the LIBOR Rate,

which Formal Request if not originally given in writing shall be promptly confirmed in writing. From time to time, the Borrower's Secretary or another officer designated by him, shall certify in writing to the Bank the names, offices and true signatures of the officers authorized to submit Formal Requests pursuant to this Agreement. The Bank shall not accept any Formal Request unless it is submitted by one of the officers designated in the most recent such certificate.

4.10 (NO DEFAULT AS A CONDITION) Borrower shall not be entitled to obtain any Revolving Credit Loan or to make any election pursuant to subsection 4.5 if any Default shall then exist or will thereupon begin to exist. Each delivery of a Formal Request to Bank by Borrower shall, of itself, constitute a continuing representation and warranty by Borrower to Bank, both at the time of delivery and immediately after giving effect to the borrowing or election in question, that no Default then exists.

4.11 (LOAN DISBURSEMENT) Each Revolving Credit Loan may be disbursed from any office reasonably selected by Bank and shall be deposited to the credit of Borrower's Main Account in Dollars and in immediately available funds and, except as otherwise provided in subsection 4.14, shall be deposited not later than 12:00 noon Cleveland time on the Banking Day specified in the applicable Formal Request.

4.12 (PAYMENTS) All payments (including prepayments) of any principal of or interest on the Revolving Credit Loans shall be made by Borrower without set-off or counterclaim in Dollars and in immediately available funds and shall first be deposited in Borrower's Main Account and then paid to Bank at such location as Bank shall reasonably specify. All payments of Commitment Fees due and payable to Bank hereunder shall be made by Borrower in immediately available funds or the equivalent thereof (as reasonably calculated by Bank in accordance with its standard practices) in Free Collected Balances. Any payment received by Bank after 12:00 noon Cleveland time shall be deemed to have been made and received on the next following Banking Day. Whenever the stated maturity of a payment shall be a day other than a Banking Day, the payment (other than any referred to in subsection 4.8) shall become due on the next succeeding Banking Day, and that extension of time shall be included in the computation of interest and Commitment Fees.

4.13 (PREPAYMENTS) Borrower may from time to time prepay the principal of any Revolving Credit Loan in whole or in part, subject to the following terms and conditions:

- (a) Borrower shall have no right to prepay any Fixed-Rate Segment except on the last day of any interest period applicable thereto unless, at the time of such prepayment, Borrower pays to Bank an additional amount sufficient to reimburse Bank for any loss, cost or expense incurred by Bank as a result of such prepayment (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain such Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts).

(b) In the case of a Fixed-Rate Segment, Borrower shall give Bank two (2) Banking Day's prior notice of the prepayment, which notice shall be either given or promptly confirmed in writing and shall be irrevocable.

(c) Each prepayment (other than any prepayment of the entire principal balance) of the Base Rate Portion of a Revolving Credit Loan shall be in the aggregate principal amount of One Hundred Thousand Dollars (\$100,000) or any multiple thereof, and each prepayment of a Fixed-Rate Segment shall prepay the entire principal balance thereof.

(d) No prepayment of any Revolving Credit Loan made before the Revolving Credit Termination Date shall of itself reduce any Revolving Credit.

(e) Concurrently with any prepayment of all or any part of the Revolving Credit Loans, Borrower shall prepay all accrued but unpaid interest on the amount prepaid.

(f) Except as otherwise provided in this subsection 4.13, no prepayment shall be subject to any penalty or premium.

4.14 (FIXED-RATE SEGMENTS: UNAVAILABILITY)

(a) If at any time Bank shall reasonably determine that (i) dollar deposits of the relevant amount for the relevant interest period are not available in the London interbank eurodollar market (in the case of LIBOR Segments) or in the New York certificate of deposit market (in the case of CD Rate Segments) for the purpose of funding the Fixed-Rate Segment in question, or (ii) circumstances affecting that market make it impracticable for Bank to ascertain the rate or rates applicable to such Fixed-Rate Segments, then and in each such case, Bank shall notify Borrower that such Fixed-Rate Segment is unavailable by 11:00 A.M. Cleveland time on the date the Formal Request relating to such Fixed-Rate Segment is delivered to Bank or, if Bank accepts a Formal Request after the time specified in subsection 4.9, no later than one (1) hour after receipt by Bank of such Formal Request. Absent such notification by Bank to Borrower, the Fixed-Rate Segment requested in the Formal Request shall be deemed to be available for purposes of this Agreement. If Borrower delivers a Formal Request in accordance with subsection 4.9 for a Revolving Credit Loan at a Fixed-Rate for disbursement on the same date

as delivery of such Formal Request and Bank notifies Borrower pursuant to the provisions of this subsection 4.14 that the Fixed-Rate is unavailable, notwithstanding any other provisions of this Agreement, Borrower may, within one (1) hour after receiving such notice from Bank, submit a new Formal Request for a Revolving Credit Loan at the Base Rate and Bank shall disperse funds in accordance with subsection 4.11 within two (2) hours after receipt of such new Formal Request.

(b) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to fund or lend at the LIBOR Rate or the CD Rate, then and in each such case, Bank shall, by written notice to Borrower, suspend Borrower's right thereafter to obtain further Revolving Credit Loans at the LIBOR Rate or the CD Rate (whichever is unavailable as aforesaid), which suspension shall remain in effect until such time as Bank shall give written notice to Borrower that the condition giving rise to the suspension no longer prevails, at which time Borrower's right to elect under subsection 4.5 with regard to the Fixed-Rate in question shall be automatically restored. Bank shall give such written notice as soon as possible.

(c) If at any time Bank shall reasonably determine that it is, or that any governmental authority has asserted that it is, unlawful for Bank to maintain a Fixed-Rate Segment, then and in each such case, Bank shall, by written notice to Borrower, convert the Fixed-Rate Segment in question into and thereby add it to the Base Rate Portions.

4.15 (FIXED-RATE SEGMENTS: ADDITIONAL COSTS) If,

(a) there shall be introduced or changed any treaty, statute, regulation or other law, or there shall be any change in the interpretation or administration thereof, or there shall be made any request from any central bank or other lawful governmental authority, which introduction, change or compliance shall (i) impose, modify or deem applicable any reserve or special deposit requirements against assets held by or deposits in or loans by Bank or (ii) subject Bank to any tax, duty, fee, deduction or withholding or (iii) change the basis of taxation of payments due from Borrower (otherwise than by a change in taxation of the net income of Bank) or (iv) impose on Bank any penalty in respect of any Fixed-Rate Segments, and

(b) any such event increases the original cost to Bank of making, funding or maintaining any Fixed-Rate Segment or reduces the amount of principal or interest received by Bank in respect of any Fixed-Rate Segment,

then, upon Bank's demand, Borrower shall pay to Bank from time to time such additional amounts as will compensate Bank for and indemnify it against such increased costs or reduced amount. Each demand shall be accompanied by a certificate setting forth the amount to be paid and the computations used in determining the amount, which certificate shall be presumed to be correct as to the matters set forth therein in the absence of manifest error. In determining any such amount, Bank shall use reasonable calculation methods. Bank shall use reasonable efforts to avoid or minimize, as the case may be, Borrower's payment of any additional amount under this subsection or the subjecting of any payment by Borrower to any withholding tax. Bank shall give Borrower, as promptly as practicable, notice of the existence of any event which requires any such payment or withholding. Whenever Bank demands compensation pursuant to this subsection 4.15, Borrower may (notwithstanding any contrary provision in subsection 4.13) prepay in full the principal of and accrued interest on the Fixed-Rate Segment in question, provided that Borrower shall have given Bank not less than one (1) Banking Day's prior notice (to be either given or promptly confirmed in writing) of the date and amount of prepayment.

4.16 (FUNDING INDEMNITY) In the event Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit and any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by Bank to fund or maintain any Fixed-Rate Segment or the relending or reinvesting of such deposits or amounts paid or prepaid to Bank) as a result of

- (a) any failure by Borrower to borrow or otherwise comply with a Formal Request given pursuant to subsection 4.9, or
- (b) any failure by Borrower to prepay in accordance with a notice given pursuant to subsection 4.13,
- (c) any conversion of a Fixed-Rate Segment pursuant to subsection 4.14(c) other than on the last day of the applicable interest period, or
- (d) any prepayment by Borrower pursuant to subsection 4.15, or

(e) any acceleration of the maturity of the Revolving Credit Loans pursuant to subsections 9.1 or 9.2,

then upon Bank's demand, Borrower shall pay to Bank such amount as will reimburse Bank for such loss, cost or expense. In making such a claim for compensation, Bank shall provide to Borrower a statement certified by its chief financial officer or by another officer designated from time to time by such chief financial officer setting forth the amount of such loss, cost or expense.

5. (OPERATING COVENANTS) Borrower agrees that, so long as any Revolving Credit Loans are outstanding, and in the case of the covenants contained in subsections 5.1, 5.3 and 5.8, so long as either the Revolving Credit is in effect or any Revolving Credit Loans are outstanding, it will perform and observe all of the following provisions:

5.1 (FINANCIAL STATEMENTS) Borrower will furnish to Bank

(a) within sixty (60) days after the end of each of the first three quarter-annual periods of each of Borrower's fiscal years,

(i) Borrower's unaudited consolidated balance sheets as at the end of that period and its unaudited consolidated profit and loss and surplus statements for its current fiscal year to the end of that period, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by Borrower's chief financial officer or by another officer of Borrower designated from time to time by such chief financial officer, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof,

(b) within ninety (90) days after the end of each of Borrower's fiscal years,

(i) Borrower's consolidated financial statements for that year, prepared in accordance with generally accepted principles of accounting, except as noted therein, and prepared on a consolidated basis and certified by independent public accountants of recognized standing to be selected by Borrower, and

(ii) a certificate executed by Borrower's chief financial officer or by another officer of Borrower designated by such chief financial officer, stating that to the best of his knowledge and belief, no Default exists or, if that is not the case, briefly describing such Default and, only in the event there are Revolving Credit Loans outstanding, stating Borrower's intended course of action in respect thereof.

(c) forthwith upon Bank's written request, such other information in writing about the financial condition, properties and operations of Borrower as Bank may reasonably require to determine that Borrower has complied with its obligations under this Agreement.

5.2 (TAXES) The Borrower will pay in full, prior in each case to the date when Material penalties for the nonpayment thereof would attach, all Material taxes, assessments and governmental charges and levies for which it may be or become subject and all lawful claims which, if unpaid, might become a Material lien or charge upon its property; provided, that the Borrower shall not be required to pay any item while the same is contested in good faith and by timely and appropriate proceedings.

5.3 (NOTICE) Borrower will cause its chief financial officer, or in his absence another officer designated by him, to give Bank prompt written notice whenever

(a) Borrower receives notice from any ERISA Regulator that a material ERISA Default exists which could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis,

(b) the Internal Revenue Service or any other federal, state or local taxing authority shall allege any default by Borrower in the payment of any tax Material in amount or shall threaten or make any assessment in respect thereof,

(c) any litigation or proceeding shall be brought against Borrower before any court or administrative agency which, if successful, would have a Material, adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or

(d) he reasonably believes that a Default has occurred.

5.4 (NET WORTH) Borrower will not at any time suffer or permit its Consolidated Net Worth to be less than One Hundred Eighty Million Dollars (\$180,000,000).

5.5 (LEVERAGE) Borrower will not suffer or permit the amount (calculated without duplication) of (i) Borrower's Indebtedness (determined on a consolidated basis), plus (ii) all Indebtedness owed by any entity other than Borrower or a Consolidated Subsidiary (and other than Indebtedness owed to Borrower or a Consolidated Subsidiary), which is guaranteed by Borrower, plus (iii) all Indebtedness guaranteed by any Consolidated Subsidiary (except Indebtedness owed by or to Borrower or another Consolidated Subsidiary), plus (iv) ten percent (10%) of the excess, if any, of the aggregate amount of the Operating Lease rentals paid by Borrower during its most recent fiscal year over an amount equal to two percent (2%) of Borrower's net sales and other revenues for that fiscal year, to exceed at any time an amount equal to Borrower's Consolidated Net Worth. Notwithstanding the foregoing, for purposes of this subsection 5.5, the obligations of Borrower or any Consolidated Subsidiary under the Operating Agreements shall not be considered a guarantee of Indebtedness.

5.6 (WORKING CAPITAL) Borrower will not at any time suffer or permit the amount of its consolidated current assets plus one-half (1/2) of its LIFO reserves less its consolidated current liabilities, to be less than Eighty-Five Million Dollars (\$85,000,000), nor at any time permit or suffer the ratio of its consolidated current assets plus one-half (1/2) of its LIFO reserves to its consolidated current liabilities to be less than 1.2.

5.7 (BULK TRANSFERS AND MERGERS) Borrower will not liquidate and dissolve, merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all of its fixed assets, or sell, lease or otherwise transfer all or substantially all of its inventory other than in the ordinary course of its business, except that if no Default shall then exist or would thereupon occur,

(a) Borrower may merge with any other business entity provided that Borrower is the surviving corporation, and

(b) Borrower may merge or consolidate with any other business entity or sell, lease or otherwise transfer all or substantially all its fixed assets and inventory in a transaction in which (i) at least fifty percent (50%) of the equity securities and voting power of the surviving corporation or the business entity which acquires, directly or indirectly, all or substantially all of Borrower's fixed assets and inventory are held immediately after such transaction, directly or indirectly, by persons who were shareholders of Borrower immediately prior to such transaction and (ii) the surviving corporation or the business entity which acquires all or substantially all of Borrower's fixed assets and inventory assumes (by an instrument legally binding upon such surviving corporation or business entity, accompanied by such legal opinions with respect thereto as Bank may reasonably request) the due and punctual payment of all amounts payable by Borrower under this Agreement, and the due and punctual performance and observance of all the terms, covenants, agreements and conditions of this Agreement to be performed or observed by Borrower to the same extent as if such surviving corporation or business entity, as the case may be, had been the original issuer of the Revolving Credit Note.

5.8 (ERISA) If Borrower shall at any time receive a notice or notices from any ERISA Regulator that an ERISA Default or ERISA Defaults exist which, individually or in the aggregate, could have a Material adverse effect on Borrower's financial condition or operations viewed on a consolidated basis, or if the financial statements of the Borrower delivered pursuant to subsection 5.1(b) hereof note that such an ERISA Default exists, Borrower shall

(a) thereafter, so long as the ERISA Default has not been corrected, treat as a current liability for purposes of this Agreement (if not otherwise so treated) all liability of Borrower that would arise to the ERISA Regulator or to the Employee Benefit Plan in question, as the case may be, by reason of the termination of the Employee Benefit Plan in question if such Plan were then terminated, and

(b) within forty-five (45) days of the receipt of the initial such notice, furnish to Bank a current consolidated balance sheet of Borrower with the amount of the current liability referred to above certified by an independent actuary of recognized standing selected by Borrower.

5.9 (LIENS) Borrower shall not create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired, unless Borrower shall make or cause to be made provision whereby the Revolving Credit Loans outstanding hereunder will be secured by such Lien equally and ratably with all other debt thereby secured as long as such other debt shall be so secured, provided, that this subsection shall not apply to

(a) any lien for a tax, assessment or government charge or levy which is not Material,

(b) any lien securing only workmen's compensation, unemployment insurance or similar obligations,

(c) any mechanic's, carrier's, landlord's or similar common law or statutory lien incurred in the normal course of business,

(d) zoning or deed restrictions, public utility easements, minor title irregularities and similar matters having no adverse effect as a practical matter on the ownership or use of any of the property in question,

(e) any judgment lien so long as (i) the aggregate unpaid principal amount of all such judgments does not exceed Five Million Dollars (\$5,000,000) at any one time outstanding and (ii) the same is appealed in good faith and execution thereof is stayed,

(f) any lien securing or given in lieu of surety, stay, appeal or performance bonds, or securing performance of contracts or bids (other than contracts for the payment of money borrowed), or deposits required by law or governmental regulations or by any court order, decree, judgment or rule or as a condition to the transaction of business or the exercise of any right, privilege or license,

(g) any lien created by the sale or other transfer of tax benefits in accordance with the provisions of paragraph 168(f)(8) of the Internal Revenue Code of 1954, as amended,

(h) any mortgage, security interest or other lien securing only the Subject Indebtedness,

(i) any mortgage, security interest or other lien which is created or assumed in purchasing, constructing or improving property or to which any property is subject when purchased, provided that (i) the mortgage, security interest or other lien is confined to the aforesaid property and (ii) the indebtedness secured thereby does not exceed the total cost of the purchase, construction or improvement,

(j) any transfer of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business,

(k) any financing statement perfecting a security interest that would be permissible under this subsection, or

(l) any mortgage, security interest or other lien or lease that is not otherwise permitted by this subsection 5.9 so long as the aggregate unpaid principal balance of all obligations secured thereby does not exceed 10% of Borrower's Consolidated Net Worth.

5.10 (COVENANT COMPUTATIONS) Concurrently with furnishing the financial statements delivered to Bank pursuant to subsection 5.1, Borrower shall provide to Bank a certificate setting forth computations showing compliance or non-compliance, as the case may be, in respect of the covenants in subsections 5.4, 5.5 and 5.6, which certificate shall be certified by an appropriate officer of Borrower.

5.11 (FILINGS) Borrower will furnish to Bank promptly when filed in final form a copy of each registration statement, Form 10-K annual report, Form 10-Q quarterly report, Form 8-K current report or similar document filed by Borrower with the Securities and Exchange Commission.

6. (OPENING COVENANTS) Prior to or at the Closing, Borrower shall comply with each of the following:

6.1 (RESOLUTIONS) Borrower's secretary or assistant secretary shall certify to Bank a copy of the resolutions duly adopted by Borrower's board of directors or executive committee in respect of this Agreement and the names, offices and true signatures of the officers authorized to sign this Agreement and the Revolving Credit Note.

6.2 (LEGAL OPINION) Borrower's counsel shall have rendered to Bank a written opinion in respect of the matters set forth in subsections 7.1, 7.2 and 7.4, which opinion may be subject to such qualifications and exceptions, if any, as may be satisfactory to Bank.

7. (BORROWER'S WARRANTIES) Borrower represents and warrants as follows:

7.1 (EXISTENCE) Borrower has been duly incorporated in the State of Ohio, is validly existing and in good standing under the laws of Ohio, has corporate power and authority to own, lease and operate its property and conduct its business and is duly qualified as a foreign corporation to transact business and is in good standing in each of the jurisdictions wherein the failure so to qualify would have a Material adverse effect on its business, financial condition or on the results of its operations viewed on a consolidated basis.

7.2 (RIGHT TO ACT) Borrower has requisite corporate power and authority to enter into this Agreement and to execute and deliver the Revolving Credit Note and Formal Requests as contemplated by this Agreement. No registration with or approval of any governmental agency of any kind is required for the due execution and delivery or for the performance of this Agreement or for the due execution and delivery of the Revolving Credit Note. Neither the execution and delivery of this Agreement and the Revolving Credit Note by Borrower nor the performance and observance of their respective provisions will cause Borrower to violate any existing provision of its articles of incorporation, code of regulations or by-laws or of any applicable law or to violate or otherwise become in material default under any other existing contract or other obligation binding upon it where such default would have a Material adverse effect on Borrower's business, financial condition or the results of its operations viewed on a consolidated basis. This Agreement is, and when duly executed and delivered the Revolving Credit Note will be, a valid and binding obligation of Borrower.

7.3 (REGULATIONS U AND X) Neither the making of any Revolving Credit Loans nor the use of the proceeds thereof will violate, or be inconsistent with, the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System.

7.4 (LITIGATION) No litigation or proceeding is pending against Borrower before any court or any administrative agency or arbitration panel which in the opinion of the Borrower's officers would, if successful, have a Material

adverse effect on the Borrower's business, financial condition, or the results of its operations viewed on a consolidated basis.

7.5 (FINANCIAL STATEMENTS) Borrower's consolidated financial statements as of November 30, 1983, certified by Coopers & Lybrand, and Borrower's unaudited consolidated financial statements as of August 31, 1984, heretofore furnished to Bank, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, except as otherwise described in the notes thereto, and fairly present the Borrower's consolidated financial condition as of the respective dates thereof (including a disclosure of material contingent liabilities, if any) and the results of its consolidated operations for the fiscal year or period (as the case may be) then ended. Since August 30, 1984, there has been no Material adverse change in Borrower's consolidated financial condition, properties or business.

7.6 (LIENS) Borrower's assets are free and clear of any Liens, other than Liens permitted by subsection 5.9.

7.7 (DEFAULTS) No Default under this Agreement exists.

8. (EVENTS OF DEFAULT) Each of the following shall constitute an Event of Default:

8.1 (PAYMENTS) If any Subject Indebtedness shall not be paid in full promptly when the same becomes due and payable and shall remain unpaid for five (5) consecutive Banking Days after Borrower receives notice of such failure.

8.2 (WARRANTIES) If any representation, warranty or statement made by Borrower (or any of its officers or agents) in or pursuant to this Agreement or any Related Writing, or any other written information furnished by Borrower to or for the benefit of Bank, shall be false or erroneous in any material respect as of the date made.

8.3 (COVENANTS) If Borrower shall fail or omit to perform and observe any of its covenants or other obligations (other than those referred to in subsection 8.1 hereof) contained in this Agreement or any Related Writing and any such failure or omission shall not have been corrected within thirty (30) days after the giving of written notice to Borrower by Bank that the specified failure or omission is to be remedied.

8.4 (CROSS-DEFAULT) If the maturity of any Indebtedness now owing or hereafter incurred by Borrower shall be accelerated pursuant to any indenture, agreement or other instrument which evidences or secures any such Indebtedness or pursuant to which such Indebtedness is issued or assumed; or if any such Indebtedness shall mature by lapse of time and not by acceleration and shall not have been paid in full or renewed within thirty (30) calendar days thereafter; provided, that this subsection shall not apply to any such Indebtedness so long as and to the extent that the aggregate unpaid principal balance of all such Indebtedness does not exceed One Million Dollars (\$1,000,000) at any one time outstanding and is contested in good faith and by timely and appropriate proceedings.

8.5 (SUBSIDIARY'S SOLVENCY) If a Designated Subsidiary shall (a) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against it by its creditors or any thereof, or (b) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order for a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets and, in each such case, the situation shall remain unremedied for three (3) Banking Days.

8.6 (BORROWER'S SOLVENCY) If Borrower shall (a) discontinue operations, or (b) commence any Insolvency Action of any kind or admit (by answer, default or otherwise) the material allegations of, or consent to any relief requested in, any Insolvency Action of any kind commenced against Borrower by its creditors or any thereof, or (c) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order of a court of competent jurisdiction which grants all or a substantial part of the relief requested in any Insolvency Action of any kind commenced against it by its creditors or any thereof or which appoints it as a debtor-in-possession or appoints a receiver, trustee or liquidator for it or for all or a substantial part of its assets.

9. (ACCELERATION OF MATURITY) Notwithstanding any contrary provision or inference herein, in any note or elsewhere,

9.1 (OPTIONAL DEFAULTS) if any Event of Default referred to in subsections 8.1 through 8.5, both inclusive, shall occur and be continuing, Bank shall have the right in its discretion, by giving not less than two (2) Banking Day's prior written notice to Borrower,

(a) to terminate the Revolving Credit (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) to accelerate the maturity of all of the Revolving Credit Loans, and the same shall thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower; and

9.2 (AUTOMATIC DEFAULTS) if any Event of Default referred to in subsection 8.6 shall occur,

(a) the Revolving Credit shall automatically and immediately terminate (if not already expired pursuant to subsection 3.1 or reduced to zero pursuant to subsection 3.2 or terminated pursuant to this section 9), and Bank shall have no obligation thereafter to grant any Revolving Credit Loan to Borrower, and

(b) all of the Revolving Credit Loans shall (if not already due and payable) thereupon become and thereafter be immediately due and payable in full, without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

10. (SET-OFF) If the Subject Indebtedness shall have become due and payable by reason of an acceleration of maturity pursuant to section 9, Bank shall have the right at any time to set off against and to appropriate and apply toward the payment of the Subject Indebtedness then owing to it, whether or not the same shall then have matured, any and all deposit balances then owing by that Bank to or for the credit or account of Borrower, all without notice to or demand upon Borrower, all such notices and demands being hereby expressly waived. Bank shall give Borrower prompt notice of any set-off and application, but failure to give such notice shall not affect the validity of the set-off and application.

11. (AMENDMENTS AND WAIVERS) Bank may from time to time grant waivers and consents in respect of this Agreement and Bank and Borrower may from time to time agree to amendments thereof, but no waiver, consent or amendment shall be binding unless it is reduced to writing and signed by the party against whom it is sought to be enforced. Without limiting the generality of the foregoing, Borrower agrees that no course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof. Each holder of any Revolving Credit Note at the time or thereafter outstanding shall be bound by any amendment or consent authorized by this section, whether or not that Note shall have been marked to indicate such amendment or consent.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in this Agreement is in addition to and not in limitation of any other rights, powers and privileges that the Bank may otherwise have or acquire by operation of law, by other contract or otherwise. The provisions of this Agreement shall bind and benefit Borrower and Bank and their respective successors and assigns, including each subsequent holder, if any, of the Revolving Credit Note; but no person other than Borrower shall have or acquire any right to obtain any Revolving Credit Loans. All representations and warranties made in or pursuant to this Agreement shall survive the execution and delivery of this Agreement and of the Revolving Credit Note. This Agreement shall be governed by and construed in accordance with Ohio law. The several captions to different sections and to the respective subsections thereof are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement.

13. (NOTICE) A notice to or request of Borrower shall be deemed to have been given or made hereunder when a writing to that effect, addressed to Borrower (Attention: Borrower's chief financial officer), shall have been delivered to Borrower's office at its address set forth on the signature page of this Agreement or to such other address as Borrower may hereafter furnish to Bank in writing for that purpose. No other method of giving actual notice to or making a request of Borrower is hereby precluded. Every notice required to be given to Bank pursuant to this Agreement shall be delivered to a commercial lending officer of Bank at its address set forth on the signature page of this Agreement or at such other address as Bank may furnish to Borrower for that purpose.

14. (DEFINITIONS) As used in this Agreement and in the Related Writings and except where the context clearly indicates otherwise,

Bank means SOCIETY NATIONAL BANK;

Banking Day means (a) in the case of a LIBOR Segment, a day on which banks in the London Interbank Market deal in United States dollar deposits and on which commercial banks are generally open for domestic and international business in Cleveland, Ohio and in New York City and (b) in any other case, any day other than a Saturday or a Sunday or a public holiday or other day on which banking institutions in Cleveland, Ohio, are authorized or obligated to close;

Base Rate has the meaning defined in subsection 4.4(a);

Base Rate Portion means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at the Base Rate;

Basic Revolving Credit means initially an amount equal to fifty percent (50%) of the Revolving Credit granted in section 3, which amount may be adjusted from time to time by Borrower pursuant to subsection 3.3;

Borrower means THE SCOTT & FETZER COMPANY;

CD Rate has the meaning defined in subsection 4.4(c);

CD Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a CD Rate and is subject to one specific election made in accordance with subsection 4.5;

Closing means the time and place at which this Agreement is executed and delivered;

Commitment Fees means the fees payable by Borrower pursuant to subsection 3.4;

Consolidated Net Worth means the excess of the net book value of the assets of Borrower (other than patents, unamortized debt discount and expense, good will and treasury stock) over all of its liabilities (including, without limitation or duplication, subordinated indebtedness, if any, liability and valuation reserves) as determined on a consolidated basis in accordance with generally accepted accounting principles;

Consolidated Subsidiary means each Subsidiary the accounts of which were consolidated with those of Borrower in Borrower's most recent annual report to shareholders.

Default means an event, condition or thing which constitutes, or which with the lapse of any applicable grace period or the giving of notice or both would constitute, any Event of Default referred to in Section 8 and which has not been appropriately waived in writing in accordance with this Agreement or corrected prior to becoming an actual Event of Default;

Designated Subsidiary means any Subsidiary, or combination of Subsidiaries having an aggregate net worth (computed for each Subsidiary on a consolidated basis) which is in excess of an amount equal to ten percent (10%) of the Borrower's Consolidated Net Worth;

Dollars means dollars in lawful currency of the United States of America;

Employee Benefit Plan means a "defined benefit plan" or "defined contribution plan" (as respectively defined in section 3 of ERISA) sponsored by Borrower;

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

ERISA Default means (a) the occurrence or existence of a material accumulated funding deficiency (as defined in section 302(a)(2) of ERISA) in respect of any Employee Benefit Plan, or (b) the institution or existence of any action for the forceable termination of any such Plan;

ERISA Regulator means any governmental agency (such as the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corporation) having any regulatory authority over any of the Employee Benefit Plans;

Event of Default means one of the events or conditions set forth in subsections 8.1 through 8.6, both inclusive;

Fixed-Rate(s) has the meaning defined in subsection 4.4;

Fixed-Rate Segment means a CDR Segment, a LIBOR Segment, or an Offered Rate Segment, as the case may be;

Formal Request has the meaning defined in subsection 4.9;

Free Collected Balances means non-interest bearing demand or time balances after deducting items deposited which are in the process of collection and deducting balances constituting compensation for activity in the account or for other services.

Indebtedness means any obligation which at the time in question shall have been incurred as borrowed money or (without duplication) as the deferred purchase price for property (provided, there shall be excluded for the purposes of this definition any obligation for the deferred purchase price of property (i) which is payable within one hundred eighty (180) days of delivery, or (ii) where the obligee of such obligation may only look to the property for payment and the obligor has no personal liability thereon) or as a capitalized lease;

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

LIBOR Rate has the meaning defined in subsection 4.4(b);

LIBOR Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that, at the time in question, that amount bears interest at a LIBOR Rate and is subject to one specific election made in accordance with subsection 4.5;

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction);

Loan Account means the bookkeeping account in the name of Borrower opened and maintained by Bank for purposes of subsection 4.1(b);

Main Account means Borrower's demand deposit account (No. 054-0050) at Bank;

Material means an amount which is in excess of ten percent (10%) of Borrower's Consolidated Net Worth as of the most recent consolidated balance sheet of Borrower theretofore furnished to Bank;

Offered Rate has the meaning defined in subsection 4.4(d).

Offered Rate Segment means a specific principal amount of the Revolving Credit Loan or Loans in question if and to the extent that at the time in question, that amount bears interest at an Offered Rate and is subject to one specific election made in accordance with subsection 4.5;

Operating Agreements means collectively the Kirby Operating Agreement dated as of June 30, 1981 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Enterprises, Inc. (formerly World Bank Encyclopedia, Inc.), United Retail Finance Company and Borrower and the Operating Agreement dated as of August 31, 1978 among World Book-Childcraft International, Inc., World Book Finance, Inc., World Book Encyclopedia, Inc. and Borrower, as modified by an agreement dated June 30, 1981.

Operating Lease means any lease that is not required to be capitalized by generally accepted accounting principles.

Related Writing means any notice, Revolving Credit Note, financial statement, audit report, Formal Request or other writing of any kind which is executed by Borrower or certified or signed by one or more of its officers, auditors or counsel, and is delivered to Bank pursuant to this Agreement;

Revolving Credit means the commitment of Bank to grant Borrower loans upon the terms, subject to the conditions and limitations and in accordance with the provisions of this Agreement;

Revolving Credit Loan or Loans means a loan obtained by Borrower pursuant to this Agreement;

Revolving Credit Note means the grid note executed and delivered by Borrower pursuant to subsection 4.1 being in the form and substance of Exhibit A with the blanks appropriately completed;

Revolving Credit Termination Date shall initially be December 1, 1989, but shall be subject to extension pursuant to subsection 3.5 hereof to December 1 of later years, in which event it shall be such later date.

Subject Indebtedness means, collectively, all principal of and interest on the Revolving Credit Loans and all accrued Commitment Fees incurred by Borrower pursuant to this Agreement;

Subsidiary means a corporation, the majority of the outstanding capital stock or voting power, or both, of which is (or upon the exercise of all outstanding warrants, options and other rights would be) owned at the time in question by Borrower, or by another such corporation, or by any combination of Borrower and such corporations;

Supplemental Revolving Credit means the amount of the Revolving Credit, after reduction, if any, pursuant to subsection 3.2, less the amount of the Basic Revolving Credit, as adjusted pursuant to subsection 3.3;

any accounting term used in this Agreement shall have the meaning ascribed thereto by generally accepted accounting principles as applied on a consolidated basis not inconsistent except as such inconsistency may be noted, with Borrower's present accounting procedures subject, however, to such modification, if any, as may be provided in the respective definitions of defined terms contained in this section 14; the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

15. (EXPENSES) Borrower agrees to pay on demand all reasonable out-of-pocket expenses (including, without limitation, reasonable attorney fees), if any, of Bank in connection with the preservation and enforcement of any of Bank's rights under this Agreement.

16. (BANK'S WARRANTIES) Bank represents and warrants to Borrower that Bank is entering into this Agreement with the present intention of making and holding Revolving Credit Loans and not for the purpose of distribution or resale, it being understood, that as to Borrower, Bank shall at all times retain full control over the disposition of its assets. Bank further represents and warrants that it is familiar with the Securities Act of 1933, as amended, and the rules and regulations thereunder and agrees not to dispose of the Revolving Credit Note in violation thereof.

17. (EXECUTION) This Agreement may be executed in one or more counterparts, each of which counterpart shall be deemed to be an executed original for all purposes but all such counterparts

taken together shall constitute but one agreement, which agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

Address:
The Scott & Fetzer Company
28800 Clemens Road
Westlake, Ohio 44145-1197
Attn: Treasurer

THE SCOTT & FETZER COMPANY

By William V. J. Stephens
Title: Vice President - Treasurer

Address:
Society National Bank
127 Public Square
Cleveland, Ohio 44114
Attn: Corporate Banking
Department

SOCIETY NATIONAL BANK

By Donald B. Shlund
Title: Vice President

EXHIBIT A

REVOLVING NOTE

U.S. \$10,000,000

December 19, 1984
Cleveland, Ohio

FOR VALUE RECEIVED, the undersigned, THE SCOTT & FETZER COMPANY ("Borrower"), an Ohio corporation, promises to pay to the order of SOCIETY NATIONAL BANK ("Bank"), at Bank's main office, Cleveland, Ohio, the principal sum of TEN MILLION U.S. DOLLARS (or, if less, the aggregate unpaid principal sum from time to time shown on the reverse side) together with interest, as provided below.

This Note is issued pursuant to an agreement (the "Credit Agreement") made as of December 19, 1984 by and between Borrower and Bank. The Credit Agreement provides that, upon certain terms and conditions Borrower may obtain Revolving Credit Loans from Bank until the Revolving Credit Termination Date. Each Revolving Credit Loan made by Bank shall be entered upon the reverse side of this Note (or any allonge thereto).

The principal of all Revolving Credit Loans evidenced by this Note is payable at the close of business on the Revolving Credit Termination Date.

Each Revolving Credit Loan bears interest at the Base Rate or at a LIBOR Rate, a CD Rate or an Offered Rate (as elected from time to time by Borrower), computed and payable in accordance with the Credit Agreement and as indicated on the reverse side of this Note (or any allonge thereto).

Reference is made to the Credit Agreement for the definitions of certain terms used in this Note, for provisions governing the acceleration of the maturity and the rights of prepayment and for other provisions to which this Note is subject.

This Note shall be construed in accordance with and be governed by Ohio law.

Address:

THE SCOTT & FETZER COMPANY

By _____
Title:

8449

"RESOLVED, that the Board of Directors approves and adopts the recommendations of the Compensation Committee relating to the amendment and adoption of stock option agreements under the 1981 Stock Option Plan and the Modified 1983 Stock Option Plan and the authorization of certain stock option agreement amendments and certain key management letter agreements.

8450

FURTHER RESOLVED, that the amendments to the Incentive Stock Option Agreements under the 1981 Stock Option Plan, and to the Stock Option Agreements under the Modified 1973 Stock Option Plan, approved by the Board of Directors on January 24, 1984 be modified and restated as set forth on Annexes III, IV and V hereto.

FURTHER RESOLVED, that the proper officers of the Company, and each of them, hereby are authorized to execute and deliver on behalf of the Company amendments to each Incentive Stock Option Agreement under the 1981 Stock Option Plan heretofore entered into by the Company, and each Stock Option Agreement under the Modified 1973 Stock Option Plan heretofore entered into by the Company, in the forms of such Annexes III, IV and V.

8451

FURTHER RESOLVED, that the form of Incentive Stock Option Agreement under the 1981 Stock Option Plan attached as Annex VI hereto hereby is authorized, approved and adopted for use in the grant of stock options under the 1981 Stock Option Plan unless and until changed by the Board of Directors.

8452

FURTHER RESOLVED, that the form of Stock Option Agreement under the Modified 1973 Stock Option Plan attached as Annex VII hereto hereby is authorized, approved and adopted for use in the grant of stock options under the Modified 1973 Stock Option Plan unless and until changed by the Board of Directors.

THE SCOTT & FETZER COMPANY
Amendment to Certain Outstanding Stock Option Agreements Under
the Modified 1973 Stock Option Plan
(Grants Prior to November 1, 1979)

WHEREAS, _____ (the "Optionee") holds certain options to purchase Common Shares ("Common Shares"), without par value, of The Scott & Fetzer Company (the "Company") under certain stock option agreements (the "Agreements") identified on Annex A hereto, as amended; and

WHEREAS, the Board of Directors of the Company, by actions taken at meetings held on January 24, 1984 and May 7, 1984, has authorized and approved certain amendments to the Agreements; and

WHEREAS, the Company and the Optionee desire formally to amend the Agreements to reflect such actions of the Board of Directors;

NOW, THEREFORE, each of the Agreements hereby is amended by deleting in its entirety in each thereof the language relating to Contingent Stock Appreciation Rights contained in the action of the Board of Directors on January 22, 1980 and inserting as a new paragraph 7 the following:

7. During the 60-day period commencing with

(A) the acquisition or ownership of 20% 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 ("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 not exercise his option to purchase Common Shares hereunder but may surrender this option and receive cash in an amount equal to the excess of the "value" (determined as hereinafter provided) 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, "value" means (i) for purposes of clause A, the higher of the closing price of a Common Share on the New York Stock Exchange on the last trading day preceding surrender of this option and the highest price per Common 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; (ii) for purposes of clause B, the value of the securities or other property received or retained, as the case may be, per Common Share by shareholders of the Company in any such merger or consolidation, sale, or change; and (iii) 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.

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 Amendment to Certain Outstanding Option Agreements Under the Modified 1973 Stock Option Plan, and hereby agrees to such amendment and the terms contained herein.

Optionee

THE SCOTT & FETZER COMPANY
Amendment to Certain Outstanding Stock Option Agreements
Under the Modified 1973 Stock Option Plan
(Grants Subsequent to November 1, 1979)

WHEREAS, _____ (the "Optionee") holds certain options to purchase Common Shares ("Common Shares"), without par value, of The Scott & Fetzer Company (the "Company") under certain stock option agreements (the "Agreements") identified on Annex A hereto; and

WHEREAS, the Board of Directors of the Company, by actions taken at meetings held on January 24, 1984 and May 7, 1984, has authorized and approved certain amendments to the Agreements; and

WHEREAS, the Company and the Optionee desire formally to amend the Agreements to reflect such actions of the Board of Directors;

NOW, THEREFORE, each of the Agreements hereby is amended by deleting paragraph 3 of each thereof in its entirety and substituting therefor the following:

3. During the 60-day period commencing with

(A) the acquisition or ownership of 20% 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 not exercise his option to purchase Common Shares hereunder but may surrender this option and receive cash in an amount equal to the excess of the "value" (determined as hereinafter provided) 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, "value" means (i) for purposes of clause A, the higher of the closing price of a Common Share on the New York Stock Exchange on the last trading day preceding surrender of this option and the highest price per Common 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; (ii) for purposes of clause B, the value of the securities or other property received or retained, as the case may be, per Common Share by shareholders of the Company in any such merger or consolidation, sale, or change, and (iii) 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.

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 Amendment to Certain Outstanding Stock Option Agreements Under the Modified 1973 Stock Option Plan, and hereby agrees to such amendment and the terms contained herein.

Optionee

THE SCOTT & FETZER COMPANY
Amendment to Certain Outstanding Incentive Stock
Option Agreements Under the 1981 Stock Option Plan

WHEREAS, _____, (the "Optionee") holds certain options to purchase Common Shares ("Common Shares"), without par value, of The Scott & Fetzer Company (the "Company") under certain stock option agreements (the "Agreements") issued on the dates set forth; and

WHEREAS, the Board of Directors of the Company, by action taken at meetings held on January 24, 1984, and May 7, 1984, has authorized and approved certain amendments to the Agreements; and

WHEREAS, Company and the Optionee desire formally to amend the Agreements to reflect such actions of the Board of Directors;

NOW, THEREFORE, each of the Agreements dated _____, and/or _____ hereby is amended by deleting paragraph 4 of each thereof in its entirety and substituting therefor the following:

4. During the 60-day period commencing with

(A) the acquisition or ownership of 20% 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 not exercise his option to purchase Common Shares hereunder but may surrender this option and receive cash in an amount equal to the excess of the aggregate "value" (determined as hereinafter provided) 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, "value" means (i) for purposes of clause A, the higher of the closing price of a Common Share on the New York Stock Exchange on the last trading day preceding surrender of this option and the highest price per Common 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; (ii) for purposes of clause B, the value of the securities or other property received or retained, as the case may be, per Common Share by shareholders of the Company in any such merger or consolidation, sale, or change; and (iii) 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.

For all other purposes of this Agreement, "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.

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 Amendment to Certain Outstanding Incentive Stock Option Agreements Under the 1981 Stock Option Plan, and hereby agrees to such amendment and the terms contained herein.

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 an Incentive Stock Option Agreement in the form hereof has been duly authorized by resolution of the Board of Directors of the Company or its Compensation Committee duly adopted on _____, 19__, 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 in whole or in part in Common Shares valued at fair market value (which shall be the closing price of a Common Share in the New York Stock Exchange on the date of surrender or, if not a trading day, on the next succeeding trading day) 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 [date of authorizing resolution], and to the extent of an additional one-fourth of such Common Shares after each of the 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 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 its 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 [base price] (\$) 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. During the 60-day period commencing with

(A) the acquisition or ownership of 20% 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 1983 ("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(e) 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 not exercise his option to purchase Common Shares hereunder but may surrender this option and receive cash in an amount equal to the excess of the aggregate "value" (determined as hereinafter provided) 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, "value" means (i) for purposes of clause A, the higher of the closing price of a Common Share on the New York Stock Exchange on the last trading day preceding surrender of this option and the highest price per Common 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; (ii) for purposes of clause B, the value of the securities or other property received or retained, as the case may be, per Common Share by shareholders of the Company in any such merger or consolidation, sale, or change; and (iii) 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.

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 _____, 19__.

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

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 _____, 19__ 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 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 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 [date of authorizing resolution] 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 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 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. During the 60-day period commencing with

(A) the acquisition or ownership of 20% 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 1983 ("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(e) 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 not exercise his option to purchase Common Shares hereunder but may surrender this option and receive cash in an amount equal to the excess of the aggregate "value" (determined as hereinafter provided) 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, "value" means (i) for purposes of clause A, the higher of the closing price of a

Common Share on the New York Stock Exchange on the last trading day preceding surrender of this option and the highest price per Common 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; (ii) for purposes of clause B, the value of the securities or other property received or retained, as the case may be, per Common Share by shareholders of the Company in any such merger of consolidation, sale, or change; and (iii) 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.

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 ____ day of _____, 19__.

THE SCOTT & FETZER COMPANY

By _____

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

Optionee

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

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

Witnesseth That:

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) As of the last day of each month, the Deferred Compensation Account shall be credited with earnings for that month. Such earnings shall be computed by applying an annual percentage rate, based upon a 365 day year, to the average daily balance in the account for such month. Such percentage rate shall be the higher of the rate of interest applicable to current deposits in the Scott Fetzer Supplemental Retirement Plan or the prime rate of National City Bank of Cleveland in effect on the last day of the month for which earnings are being computed.

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

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

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

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

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

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

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

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

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

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

6. The Company may terminate this Agreement at any time. If the Company terminates this Agreement, the Committee, in satisfaction of the Company's obligation hereunder, at its option, may determine to:

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

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

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

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

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

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

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

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

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

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

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

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

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

THE SCOTT & FETZER COMPANY

WITNESS

By _____

Executive

Schedule A

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

Change in Election as to Compensation to be Deferred.

NOTE:

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

I hereby elect to irrevocably defer, until my retirement or other termination of employment, \$ _____ or ____% of my Annual Base Salary, for the 19__ Calendar Year and \$ _____ or ____% of my Annual Base Salary for each succeeding Calendar Year, and further, I elect to irrevocably defer ____% of any Executive Bonus for services rendered for the 19__ Fiscal Year and ____% for each succeeding fiscal year.

_____, 19__
Date

Executive

Witness

Schedule B

Designation of Beneficiary(ies)

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

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

<u>NAME AND PRESENT ADDRESS OF PRIMARY BENEFICIARY(IES)</u>	<u>PROPORTIONATE INTEREST OF PRIMARY BENEFICIARY(IES)</u>	<u>RELATIONSHIP TO EXECUTIVE</u>
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____
_____	_____ %	_____

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

<u>NAME AND PRESENT ADDRESS OF SECONDARY BENEFICIARY(IES)</u>	<u>PROPORTIONATE INTEREST OF SECONDARY BENEFICIARY(IES)</u>	<u>RELATIONSHIP TO EXECUTIVE</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

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

Date: _____

WITNESS

EXECUTIVE'S SIGNATURE

Schedule C

Election as to Commencement of Distribution From
Deferred Compensation Account.

I hereby, subject to prior approval from the Committee, elect to have annual installment payments commence:

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

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

Date _____, 19____

Executive

Witness

Scott Fetzer

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September 5, 1984

Mr. Gary A. Childress
Woodstock Road
Gates Mills, OH 44040

Dear Gary:

This letter is intended to set forth our understanding regarding your resignation as an officer, director and employee of Scott Fetzer.

1. Your resignation as an officer, director and employee will be effective at 4:00 p.m. on Thursday, September 6, 1984.

2. When your resignation becomes effective, you will cease to participate in or have any rights under any Scott Fetzer benefit, stock option, pension, bonus and similar plans (including "Ben E Med") and under any separate agreements you now have with Scott Fetzer.

3. For a period of thirty-six (36) months ending August 31, 1987 you will not compete with any business in which Scott Fetzer is engaged as of the date that your resignation becomes effective, unless Scott Fetzer, at your request, in cases of minor conflicts, has consented, and Scott Fetzer will not unreasonably withhold such consent.

4. You will not assist or participate in any effort on the part of any entity or person to purchase or otherwise acquire all or a part of Scott Fetzer or its outstanding common shares, other than immaterial amounts for your personal investment.

5. You hereby release Scott Fetzer and its officers and directors from any claims you may have against them, and covenant not to sue any of them. Scott Fetzer hereby releases you from any claims it may have against you, except those based upon or attributable to your gaining in fact any personal profit or advantage to which you were not legally entitled, or, for an accounting of profits in fact made for the purchase or sale by you of securities of Scott Fetzer within the meaning of Section 16(B) of the Securities Exchange Act of 1934, or similar state law, or, based upon or attributable to any act of dishonesty, and covenant not to sue you.

6. Subject to your compliance with your obligations described in this letter, for a period of thirty-six months, commencing September 30, 1984, Scott Fetzer will pay you \$20,000.00 per month at the end of each month. Scott Fetzer will use its best efforts to obtain a bond issued by a reputable insurance company insuring these payments only against Scott Fetzer's insolvency or bankruptcy or the arbitrary refusal to pay, by new owners, following a change in control of the Company. The bond would not cover payments not made due to breaches of your obligations. Written notice of breaches shall be given at least twenty (20) days prior to ceasing payments or commencing other actions.

7. Scott Fetzer will supply you with evidence that its officers and directors liability insurance is in force as of the date of your termination and, upon request, will provide you with copies of the policy or a summary.

8. Scott Fetzer will transfer to you title to your leased automobile for one Dollar (\$1.00).

9. Scott Fetzer will use its best efforts to make available to you, at its cost, through August 31, 1985 or until you are otherwise covered, basic only, medical and surgical insurance similar to that under which you are covered as an employee.

10. Scott Fetzer will issue a press release announcing your resignation, in the form attached to this letter. Neither Scott Fetzer nor you will make any other comment regarding your resignation, and each will use its best efforts to avoid any communications which might result in adverse publicity.

Please indicate your concurrence in the foregoing by signing and returning to me a copy of this letter.

Very truly yours,

By Ralph Schey
Ralph Schey, Chairman

Concurred:
Gary A. Childress
Gary A. Childress

Attachment

Scott Fetzer

November 2, 1984

Mr. Theodore C. Bliss
2988 Creekside Drive
Westlake, OH 44145

Dear Mr. Bliss:

The Board of Directors has recognized the valued contribution that you make as an executive of The Scott & Fetzer Company ("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 to induce you to continue your employment with Scott Fetzer.

If your employment with Scott Fetzer is terminated by Scott Fetzer or any successor within two years of the earlier to occur of any of the following events:

- A. the acquisition or ownership of 20% 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 10 days of termination following such event a lump sum payment in an amount equal to 200% of the sum of your annual base salary as of January 1, 1984 and the amount of your bonus for the fiscal year ended November 30, 1983, as set forth on Annex A hereto (collectively, your "Annual Compensation") minus the total amount of compensation (base salary and bonus) actually received by you since the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 24 months. Your employment with Scott Fetzer will be deemed to be terminated by Scott Fetzer or any successor if your employment is terminated in fact by Scott Fetzer or any successor or if your employment is terminated by you following any material reduction in your aggregate direct remuneration or employee benefits, any material alteration in your responsibilities and duties or in the powers and functions normally incident to your position immediately prior to any of the foregoing events or any required relocation of your principal office to a location outside the metropolitan area in which your principal office is located immediately prior to any of the foregoing events, except for required travel on the business of Scott Fetzer or any successor to an extent substantially consistent with your business travel obligations immediately prior to any of the foregoing events (any such termination by you shall be referred to as for "Good Reason"). Notwithstanding the foregoing, you shall not be entitled to receive such amounts if your employment is terminated by Scott Fetzer or any successor for "Cause".

Termination of your employment by Scott Fetzer or any successor for "Cause" shall mean termination upon (i) the willful and continued failure by you to perform substantially your duties with Scott Fetzer or any successor (other than any failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from your termination for Good Reason) after a demand in writing for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not performed substantially your duties, or (ii) the willful engaging by you in conduct which is demonstrably and materially injurious to Scott Fetzer or any successor, monetarily or otherwise. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of Scott Fetzer or any successor. Notwithstanding the foregoing, your employment shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an


opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you engaged in conduct set forth above in clauses (i) and (ii) of the first sentence of this paragraph and specifying the particulars thereof in detail.

If your employment is terminated voluntarily by you during the second year following the earlier to occur of any of the foregoing events, you shall be entitled to receive within 10 days of termination a lump sum payment in an amount equal to 100% of your Annual Compensation minus the total amount of compensation (base salary and bonus) actually received by you since the date which is one year after the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 12 months.

For a period of 24 or 12 months from the date of any termination triggering a payment pursuant to the third or first preceding paragraphs, respectively, you shall continue to 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 24 or 12 months on the same basis as in effect immediately prior to any such event.

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

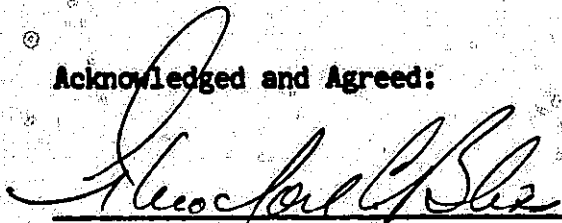
Very truly yours,



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 and Agreed:



Theodore C. Bliss

ANNEX A

Base Salary

\$48,000

Bonus

\$9,000

(TCB)

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Scott Fetzer

May 7, 1984

Mr. Walter A. Rajki
20644 Avalon Drive
Rocky River, OH 44116

Dear Mr. Rajki:

The Board of Directors has recognized the valued contribution that you make as an executive of The Scott & Fetzer Company ("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 to induce you to continue your employment with Scott Fetzer.

If your employment with Scott Fetzer is terminated by Scott Fetzer or any successor within two years of the earlier to occur of any of the following events:

- A. the acquisition or ownership of 20% 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 10 days of termination following such event a lump sum payment in an amount equal to 200% of the sum of your annual base salary as of January 1, 1984 and the amount of your bonus for the fiscal year ended November 30, 1983, as set forth on Annex A hereto (collectively, your "Annual Compensation") minus the total amount of compensation (base salary and bonus) actually received by you since the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 24 months. Your employment with Scott Fetzer will be deemed to be terminated by Scott Fetzer or any successor if your employment is terminated in fact by Scott Fetzer or any successor or if your employment is terminated by you following any material reduction in your aggregate direct remuneration or employee benefits, any material alteration in your responsibilities and duties or in the powers and functions normally incident to your position immediately prior to any of the foregoing events or any required relocation of your principal office to a location outside the metropolitan area in which your principal office is located immediately prior to any of the foregoing events, except for required travel on the business of Scott Fetzer or any successor to an extent substantially consistent with your business travel obligations immediately prior to any of the foregoing events (any such termination by you shall be referred to as for "Good Reason"). Notwithstanding the foregoing, you shall not be entitled to receive such amounts if your employment is terminated by Scott Fetzer or any successor for "Cause".

Termination of your employment by Scott Fetzer or any successor for "Cause" shall mean termination upon (i) the willful and continued failure by you to perform substantially your duties with Scott Fetzer or any successor (other than any failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from your termination for Good Reason) after a demand in writing for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not performed substantially your duties, or (ii) the willful engaging by you in conduct which is demonstrably and materially injurious to Scott Fetzer or any successor, monetarily or otherwise. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of Scott Fetzer or any successor. Notwithstanding the foregoing, your employment shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an

opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you engaged in conduct set forth above in clauses (i) and (ii) of the first sentence of this paragraph and specifying the particulars thereof in detail.

If your employment is terminated voluntarily by you during the second year following the earlier to occur of any of the foregoing events, you shall be entitled to receive within 10 days of termination a lump sum payment in an amount equal to 100% of your Annual Compensation minus the total amount of compensation (base salary and bonus) actually received by you since the date which is one year after the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 12 months.

For a period of 24 or 12 months from the date of any termination triggering a payment pursuant to the third or first preceding paragraphs, respectively, you shall continue to 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 24 or 12 months on the same basis as in effect immediately prior to any such event.

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

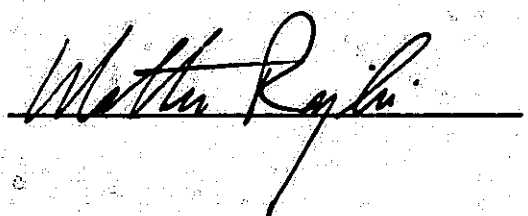
Very truly yours,



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 and Agreed:



ANNEX A

Base Salary

\$130,000.

Bonus

\$ 45,000.

(WAR)



May 7, 1984

Mr. Kearney K. Kier
27463 Pineview Drive
Westlake, OH 44145

Dear Mr. Kier:

The Board of Directors has recognized the valued contribution that you make as an executive of The Scott & Fetzer Company ("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 to induce you to continue your employment with Scott Fetzer.

If your employment with Scott Fetzer is terminated by Scott Fetzer or any successor within three years of the earlier to occur of any of the following events:

- A. the acquisition or ownership of 20% 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 10 days of termination following such event a lump sum payment in an amount equal to 300% of the sum of your annual base salary as of January 1, 1984 and the amount of your bonus for the fiscal year ended November 30, 1983, as set forth on Annex A hereto (collectively, your "Annual Compensation") minus the total amount of compensation (base salary and bonus) actually received by you since the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 36 months. Your employment with Scott Fetzer will be deemed to be terminated by Scott Fetzer or any successor if your employment is terminated in fact by Scott Fetzer or any successor or if your employment is terminated by you following any material reduction in your aggregate direct remuneration or employee benefits, any material alteration in your responsibilities and duties or in the powers and functions normally incident to your position immediately prior to any of the foregoing events or any required relocation of your principal office to a location outside the metropolitan area in which your principal office is located immediately prior to any of the foregoing events, except for required travel on the business of Scott Fetzer or any successor to an extent substantially consistent with your business travel obligations immediately prior to any of the foregoing events (any such termination by you shall be referred to as for "Good Reason"). Notwithstanding the foregoing, you shall not be entitled to receive such amounts if your employment is terminated by Scott Fetzer or any successor for "Cause".

Termination of your employment by Scott Fetzer or any successor for "Cause" shall mean termination upon (i) the willful and continued failure by you to perform substantially your duties with Scott Fetzer or any successor (other than any failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from your termination for Good Reason) after a demand in writing for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not performed substantially your duties, or (ii) the willful engaging by you in conduct which is demonstrably and materially injurious to Scott Fetzer or any successor, monetarily or otherwise. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of Scott Fetzer or any successor. Notwithstanding the foregoing, your employment shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board

called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you engaged in conduct set forth above in clauses (i) and (ii) of the first sentence of this paragraph and specifying the particulars thereof in detail.

If your employment is terminated voluntarily by you during the second or third years following the earlier to occur of any of the foregoing events, you shall be entitled to receive within 10 days of termination a lump sum payment in an amount equal to 200% of your Annual Compensation minus the total amount of compensation (base salary and bonus) actually received by you since the date which is one year after the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 24 months.

For a period of 36 or 24 months from the date of any termination triggering a payment pursuant to the third or first preceding paragraphs, respectively, you shall continue to 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 36 or 24 months on the same basis as in effect immediately prior to any such event.

Please acknowledge and agree to 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

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 and Agreed:

Kearney K Kies

ANNEX A

Base Salary

\$102,000.

Bonus

\$ 55,000.

(KKK)

375
Scott Fetzer

May 7, 1984

Mr. Kenneth J. Semelsberger
19326 Ivywood Trail
Strongsville, OH 44136

Dear Mr. Semelsberger:

The Board of Directors has recognized the valued contribution that you make as an executive of The Scott & Fetzer Company ("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 to induce you to continue your employment with Scott Fetzer.

If your employment with Scott Fetzer is terminated by Scott Fetzer or any successor within three years of the earlier to occur of any of the following events:

- A. the acquisition or ownership of 20% 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 10 days of termination following such event a lump sum payment in an amount equal to 300% of the sum of your annual base salary as of January 1, 1984 and the amount of your bonus for the fiscal year ended November 30, 1983, as set forth on Annex A hereto (collectively, your "Annual Compensation") minus the total amount of compensation (base salary and bonus) actually received by you since the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 36 months. Your employment with Scott Fetzer will be deemed to be terminated by Scott Fetzer or any successor if your employment is terminated in fact by Scott Fetzer or any successor or if your employment is terminated by you following any material reduction in your aggregate direct remuneration or employee benefits, any material alteration in your responsibilities and duties or in the powers and functions normally incident to your position immediately prior to any of the foregoing events or any required relocation of your principal office to a location outside the metropolitan area in which your principal office is located immediately prior to any of the foregoing events, except for required travel on the business of Scott Fetzer or any successor to an extent substantially consistent with your business travel obligations immediately prior to any of the foregoing events (any such termination by you shall be referred to as for "Good Reason"). Notwithstanding the foregoing, you shall not be entitled to receive such amounts if your employment is terminated by Scott Fetzer or any successor for "Cause".

Termination of your employment by Scott Fetzer or any successor for "Cause" shall mean termination upon (i) the willful and continued failure by you to perform substantially your duties with Scott Fetzer or any successor (other than any failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from your termination for Good Reason) after a demand in writing for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not performed substantially your duties, or (ii) the willful engaging by you in conduct which is demonstrably and materially injurious to Scott Fetzer or any successor, monetarily or otherwise. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of Scott Fetzer or any successor. Notwithstanding the foregoing, your employment shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you engaged in conduct set forth above in clauses (i) and (ii) of the first sentence of this paragraph and specifying the particulars thereof in detail. Your annual base salary as of January 1, 1984 for purposes of this letter includes the \$20,000 by which your annual base salary as of January 1, 1984 was reduced by the Board of Directors in action taken on January 24, 1984 in respect of your fees as a Director of Scott Fetzer.

If your employment is terminated voluntarily by you during the second or third years following the earlier to occur of any of the foregoing events,

you shall be entitled to receive within 10 days of termination a lump sum payment in an amount equal to 200% of your Annual Compensation minus the total amount of compensation (base salary and bonus) actually received by you since the date which is one year after the occurrence of such event, or, at your option, you shall be entitled to receive such amount in equal monthly installments for a period of up to 24 months.

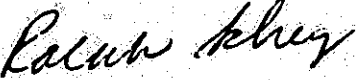
For a period of 36 or 24 months from the date of any termination triggering a payment pursuant to the third or first preceding paragraphs, respectively, you shall continue to receive the benefits of all benefit plans in which you were participating immediately prior to any such event to the same extent as if your employment had continued during those 36 or 24 months on the same basis as in effect immediately prior to any such event. If at the date your employment with Scott Fetzer is so terminated you shall have not reached age 55, you shall be deemed to have reached age 55 for purposes of determining eligibility for a benefit under The Scott & Fetzer Company General Pension Plan. For purposes of computing the amount of benefits under such Plan, all payments you are entitled to receive under this letter shall be deemed to have been made to you as compensation under such Plan immediately prior to termination of your employment. In the event that the intention of this paragraph cannot be effected under such Plan, Scott Fetzer or its successor shall provide you such supplemental benefit as may be necessary to provide the benefit intended by this paragraph, provided that you shall relinquish any duplicate benefit under such Plan.

Any payment or benefit which you shall be entitled to receive under this letter shall be reduced by, and there shall be offset against such payment or benefit, any corresponding payment or benefit that you shall receive in fact under the letter dated June 28, 1983 from me to you, as amended and superseded by a letter from me to you dated as of January 24, 1984 (the "Letter Agreement"), in respect of the foregoing events.

This letter is in addition to the Letter Agreement, which shall not be superseded hereby.

Please acknowledge and agree to 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 and Agreed:


Kenneth J. Semelsberger

March 2, 1984

Mr. Robert W. Bjork
101 Otter Rock Road
Greenwich, CT 06830

Dear Bob:

Currently, in addition to your duties on the Board of Directors we are also retaining you for investment policy advice to the Investment Committee.

Effective April 1, 1984, 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 you (nor any firm that you are associated with) will be retained to directly or indirectly manage any Scott Fetzer funds. However, it is understood that you may have an interest in The Hedging Company but that you will abstain from any Board or other actions relating to the Company activities with that company.
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 no later than April 30, 1985.
3. Your consulting fee will be \$24,000 annually, paid \$2,000 monthly, plus any direct expenses. You will (1) function as a consultant on investment policy for the Board's Pension & 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 agreement and your membership on Scott Fetzer'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 as an outside director on an inside board.

Robert W. Bjork


2

March 2, 1984

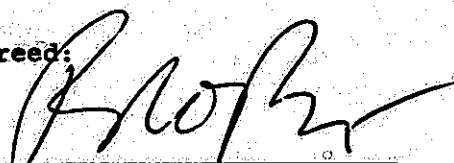
We will attempt to coordinate the Financial Services board meetings with those of Scott Fetzer so as to minimize your travel and personal time requirements.

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

Very truly yours,


Kenneth J. Semelsberger
Senior Vice President
Finance & Administration

Agreed:


Robert W. Bjork

April 15, 1984
Date

KJS:g

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



About the Company

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

The Company's 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

25800 Clemens Road, Westlake, Ohio 44145. Telephone: 216-892-3000. Telex: 810-424-8128.

Annual Meeting

The annual meeting of shareholders will be held on March 26, 1985, 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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2	Letter to Shareholders
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8	Consolidated Statement of Income
9	Consolidated Balance Sheet
10	Consolidated Statement of Changes in Financial Position
11	Consolidated Statement of Shareholders' Equity
12	Business Segment Information
14	Notes to Consolidated Financial Statements
20	Directors & Corporate Management
21	Operating Units

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

Fiscal Year Ended November 30	1984	1983	1982	1981	1980
Operations					
Net sales and other revenue	\$695,382	\$615,396	\$544,859	\$592,589	\$570,191
Income from continuing operations before income taxes	70,994	50,905	41,714	50,061	29,076
Income from continuing operations . . .	38,379	27,911	23,174	25,199	18,638
Return on net sales and other revenue from continuing operations	5.5%	4.5%	4.3%	4.3%	3.3%
Income from discontinued operations .	2,265	4,313	3,918	3,868	4,431
Per Share Data					
Earnings from continuing operations . .	5.67	4.16	3.45	3.47	2.52
Earnings from discontinued operations	0.34	0.64	0.59	0.54	0.60
Dividends paid	1.80	1.80	1.80	1.80	1.80
Book value	36.76	32.45	29.40	27.13	25.04
Market price range	59-39½	49½-35	36¾-25½	30¾-21½	25¾-17¼
Price/earnings ratio (high-low)	10-7	10-7	9-6	8-5	8-6
Balance Sheet Data					
Current assets	323,292	303,266	252,654	273,153	263,095
Current liabilities	173,726	147,241	122,651	133,104	117,459
Working capital	149,566	156,025	130,003	140,049	145,636
Current ratio	1.9	2.1	2.1	2.1	2.2
Property, plant and equipment, net. . . .	84,673	85,181	81,970	82,827	83,609
Total assets	468,082	445,067	403,790	405,794	394,043
Long-term debt	33,333	68,163	72,786	76,901	79,595
Shareholders' equity	243,901	214,867	94,085	184,000	185,079
Return on shareholders' equity	16.7%	15.0%	14.0%	15.8%	12.5%
Year-End Data					
Shares outstanding (000's)	6,635	6,622	6,601	6,781	7,390
Average shares outstanding (000's) . . .	6,760	6,710	6,708	7,252	7,388
Number of shareholders of record	4,816	5,781	6,393	7,105	7,937

Results prior to 1984 have been restated to report continuing and discontinued operations separately.

Letter to Shareholders



Dear Shareholder:

1984 was a year of substantial accomplishment for Scott Fetzer. Our successes in innovation and creativity in products and processes reflected clearly that our past efforts were producing visible results; our marketing programs were aggressive and responded to changes in consumer preferences and continued to emphasize Scott Fetzer's significant role in distribution and marketing activities. The realization of these goals contributed to the best financial performance in the history of Scott Fetzer.

We continued to shape the structure of Scott Fetzer by disposing of certain businesses which did not meet our long-term goals. During 1984 we sold the American Lincoln division and the

Douglas division. In each case we concluded that it would take a greater expenditure of human and financial resources than the risks justified if we were to achieve our long-term financial targets with these businesses.

We concurrently increased our commitment to internal developments through the use of product acquisitions, company-sponsored research and development, and marketing and distribution agreements. The strength of Scott Fetzer is clearly in marketing and distribution. The products with which we compete in the world are products which create a superior value for which there is an already existing market. All of our activities, including product and process development, are market driven and we concentrate on features which can qualify for preferential consumer prices.

We continue to pursue our objective to be known as the company whose products and services are of demonstrably superior value and are to be used primarily in the home or by the family.

OPERATIONS REVIEW

Education, Information & Training Group

For the past two years, World Book management has focused its attention on increasing unit volume and on increasing the unit volume of non-discounted units. Major new efforts have also been devoted to recruiting, sales training, and cost reduction. These efforts are producing successful results. Unit sales of existing products, particularly *The World Book Encyclopedia*, grew impressively in 1984 even though there was only one special sale rather than two which had been the historical practice. The number of new recruits in 1984 was a record for the Company. Operating cost ratios were the best in several years.

In terms of new products, World Book has made considerable progress in the development of educational software programs for personal computers. Over twenty of these programs have been

completed and we are currently in the process of determining the best methods for distribution. In addition, a number of new and exciting printed products for the pre-school market are nearing completion.

Household Products & Services Group

We have had two primary objectives in this business Group during the past five years:

- Expand the distribution network in each business, both with original equipment users and more importantly, with after-market users. We have achieved significantly higher market penetration through new product introductions and a greater number of distribution outlets.
- Concentrate on brand identification of our products so that value-oriented differences can be more effectively presented to a larger market and non-price advantages can be properly explained to the consumer.

These objectives are being accomplished with a combination of increased internal product development, greater use of our distribution strength by acquiring products or components from foreign producers, and marketing programs developed around the needs of specific retailers.

As a result we have had a number of important product introductions in 1984 from this Group. The following are some examples:

- Kirby Company division introduced a new model, the Heritage II. Because the Heritage I inspired the acclaim of Kirby distributors and their customers alike that it was the "highest quality vacuum cleaner ever produced," our first priority was to improve this quality image even further. We believe we have successfully accomplished this goal and in the process have added a number of new features.

Our Kirby distributor sales organization has continued to grow and unit volume has grown as well. We believe we have the best balance between an inspired sales organization and a supportive and experienced factory organization that we have had in a number of years.

1984 was an important year for the United Consumer Financial Services Company (the financing facility for Kirby) because it passed a break-even point and operated at a profit for the first time since it started business in 1980. It is a herculean task to start a new finance company especially when the Kirby distributors are not obligated to use this service. The financial services function has been effectively marketed to the Kirby distributor organization and is now used by most Kirby distributors as a critical component in their overall marketing programs.

- We upgraded the performance of our existing "Power Pal" air compressors at the Campbell Hausfeld division by adding an accumulator air tank and a brand new product marketed under the name "Super Pal." This product has been developed for the small contractor market as well as for the more sophisticated user in the home market.
- Campbell Hausfeld also introduced the "Paint Pal" which provides a better way to paint for the occasional painter. Since painting is the task most frequently performed by "do-it-yourselfers," we developed a product specifically for that use and made it easy for the unskilled home user.
- We introduced a new single-screw air compressor for the commercial/industrial market.
- We added accessory items to our air compressor line such as air tools, improved stapler, etc.
- The Wayne Home Equipment division introduced a high quality sump pump for distribution in the aftermarket; a high efficiency, low cost oil burner; and a new heating process for use in preparing foods such as commercial pizza ovens.

- Our Carefree of Colorado division introduced for the recreational vehicle market an innovative awning which is easier to use for both men and women. In addition a new line of camper and recreational vehicle jacks was introduced which allow the user to easily level a vehicle which is parked on uneven terrain.

Commercial Industrial Group

The improvement in the operating and financial results of the Commercial Industrial Group was particularly impressive. Part of this improvement can be attributed to a stronger general economy in the markets served by this Group. A substantial part of the improvement, however, reflects the realization of programs commenced several years ago in all operating units to expand product lines and distribution systems.

- Some of the more important product and market achievements in 1984 for this Group were as follows:
 - A plug-in modular timer was produced and is being distributed to the appliance industry, particularly for use in products such as clothes washers and dryers, dishwashers and ovens. This product expands the total market for the France division and the product has had a positive reception from the appliance makers.
 - The Halex division introduced a new line of watertight fittings which will be sold through retail distribution channels. Historically Halex has marketed its products through wholesale channels to electrical contractors.
 - Western Enterprises division introduced a new line of medical regulators as well as an oxygen kit for use in the home.

CONCLUSION

The forces of change have already accelerated in the world, and traditional geographical and financial barriers for businesses have rapidly crumbled. Survival has become a critical word in many companies' vocabularies.

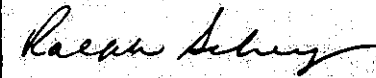
We have a vision for where we want to be in this changing world. In the process we have come to some important conclusions about the role of different functions of our business:

- Manufacturing must be viewed as a service to the marketing and distribution organization rather than a separate or independent function.
- Services can add important value to a product.
- Sometimes the distinction between a service and a product is blurred.
- In some circumstances it is easier to sell services than products.

Your management is dedicated to the pursuit of excellence in all of our operational activities. This commitment to high achievement gives Scott Fetzer a competitive edge in the battle for survival.

FUTURE

On February 13, 1985, our Board of Directors approved a buyout of Scott Fetzer by its Employee Stock Ownership Plan, a subsidiary of Kelso & Company and a group of investors that is expected to include members of management. In addition General Electric Credit Corporation, which is financing the buyout, will receive warrants enabling it to acquire common stock in the surviving company. Note 2 to the Consolidated Financial Statements on page 14 gives a brief description of the buyout agreement. A proxy statement describing the transaction and its consequences to our shareholders is planned to be mailed to shareholders in April. Information about the buyout will be provided in the special proxy statement. It is appropriate, therefore, to devote this annual report to our achievements during the past year.



RALPH SCHEY
Chairman, President and
Chief Executive Officer
February 21, 1985

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

1984 Compared with 1983 Results of Operations

Net sales and other revenue of continuing operations in 1984 were \$695.4 million, up 13% from restated 1983 results of \$615.4 million. Income from these continuing operations in 1984 increased to \$38.4 million, a 38% gain over income of \$27.9 million in 1983. For continuing operations, income as a percent of total revenues was 5.5% in 1984 versus 4.5% in 1983. Continuing operations generated earnings per share of \$5.67 for 1984, a 36% gain from the \$4.16 earned for 1983.

Fourth quarter 1984 revenues were \$162 million compared to \$158.6 million during the same period last year. Income from continuing operations was \$8.2 million or \$1.21 per share, up 19% from the 1983 income from continuing operations of \$6.9 million or \$1.03 per share. The lower fourth quarter sales growth from that experienced in the first nine months was basically a result of business seasonality and lower general economic growth; however, total corporate effectiveness kept earnings strong.

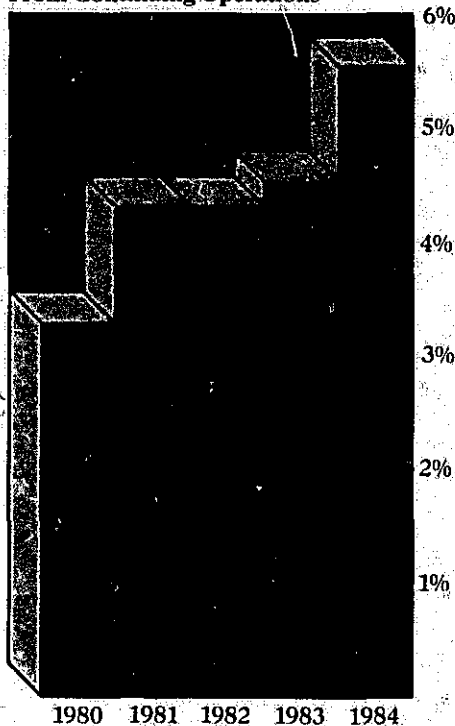
Interest income was \$14.2 million in 1984, an increase of \$3.1 million from \$11.1 million earned last year. Increases in both the average yield and the average balances carried in short-term investments were both factors in the 1984 gain of 28% over 1983. Interest expense decreased to \$7.8 million in 1984 from \$8.7 million a year ago reflecting the reduction in debt outstanding during this period.

Business Segments

Results by business segments for 1984 and the two prior years are presented on pages 12 and 13 of this report. Business Segment Information by Industry has been restated for 1983 and 1982 to be comparable to the 1984 realignment of the Company's operating units into three business groups.

Each of the Company's three business segments contributed to the increases in sales and income as a result of marketing efforts, new products and operating efficiencies, along with a generally improved national economy.

Return On Net Sales And Other Revenue From Continuing Operations



Education, Information & Training Group

Sales and other revenues for the Education, Information & Training Group segment in 1984 were \$277.6 million, a 9% increase over the \$254.2 million in 1983. Income before income taxes was up 16% to \$21.4 million from \$18.5 million in 1983. These sales gains resulted principally from increases in unit volume sales of the World Book Encyclopedia. Income gains were a result of the volume increases and operating efficiencies as selling prices remained unchanged throughout 1984.

Household Products & Services Group

Sales for 1984 for the Household Products & Services Group segment reached \$309.3 million compared with \$267.9 million in 1983, or a 15% gain. Income before income taxes for 1984 was \$35.2 million or 13% ahead of the \$31 million earned in 1983. Most of the operating units included in the Household Products & Services Group segment had sales and income greater than last year with both the Wayne and Kievac divisions having significant percentage growth in both categories. Strong consumer demand at the retail level, new product introductions, and increased market penetration were the major factors for the improved results.

Commercial Industrial Group

Five of the six units in the Commercial Industrial Group segment had marked improvement in 1984 over 1983 in both sales and income before taxes. Sales in 1984 totaled \$140.7 million, a gain of 16% over 1983. Income

before income taxes was up by 55% to \$18.3 million versus \$11.8 million a year ago.

All units of the Commercial Industrial Group segment benefited from improving conditions in the markets they serve. Increased home construction in 1984 was the most beneficial factor, aiding the Halex and Adalet divisions in construction material volume and the Stahl division in increased demand for utility service and tradesman vehicles. Appliance timer sales by the France division benefited from a long overdue resurgence in home laundry equipment sales, driven in part by the aging and obsolescence of equipment in use.

New strategies and trends developed over the past two years also played a major role for the increased sales in this segment. Sales of the Western Enterprises division's Home Oxygen Therapy equipment were especially strong, reflecting the growing trend toward home convalescence.

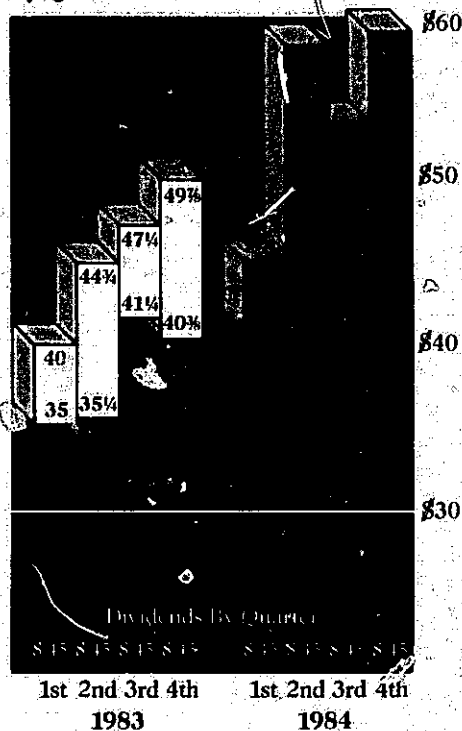
Discontinued Operations

The Douglas and American Lincoln divisions were sold during the first and second quarters, respectively. These discontinued operations had a net income of \$2.3 million in 1984 which resulted from partial year earnings as well as gains from the dispositions.

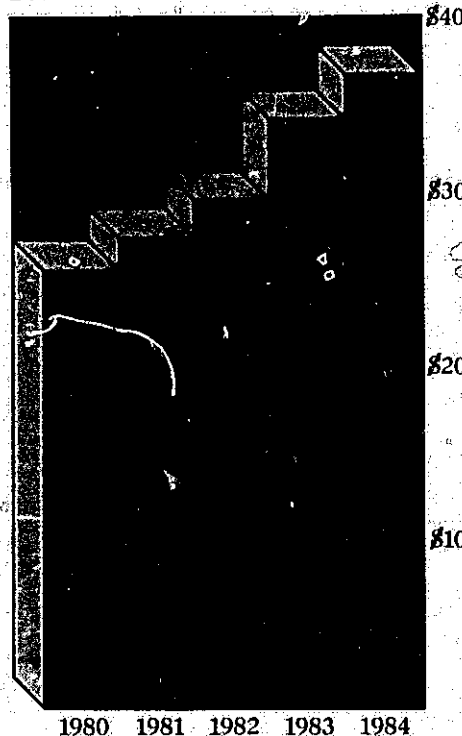
Liquidity and Capital Resources

Cash and cash equivalents decreased during 1984 by \$3.4 million primarily as the result of the increases in accounts receivable and inventory that were required in support of the increased sales volume. The Statement of Changes in Financial Position on page 10 of this report details the sources and uses of Company funds. Net working capital at year-end was \$149.6 million, slightly lower than

Market Price Of Common Stock By Quarter



Book Value Per Share



the same time a year earlier due primarily to the reclassification to current liabilities of \$30 million of long-term debt which is payable in 1985.

Long-term debt as a percentage of shareholders' equity dropped at the end of 1984 to 13.7% compared with 31.7% at the end of 1983 as a result of the \$30 million debt reclassification and the \$29 million increase in shareholders' equity during 1984.

Capital expenditures were \$20.3 million in 1984 with \$6 million being expended for real property and \$14.3 million for machinery and equipment. Major real property additions were for the Campbell Hausfeld division and our new corporate headquarters building.

The Company continues to carry credit facilities in Australia and Great Britain, and had borrowings against those facilities of \$4.1 million at year-end. During 1984, a commitment was received from eight different banks extending to the Company revolving credit agreements totaling \$100 million. There were no borrowings made against these agreements in 1984.

1983 Compared with 1982 Results of Operations

Net sales and other revenue restated for continuing operations increased 13% to \$615.4 million in 1983, compared with \$544.9 million in 1982. Restated income from continuing operations increased 20% to \$27.9 million in 1983 compared with \$23.2 million in 1982. Earnings per share from continuing operations rose 21% to \$4.16 in 1983 from \$3.45 in 1982.

For the fourth quarter of 1983, restated sales were \$158.6 million

compared with \$129.8 million for the same period in 1982. Income from continuing operations was \$6.9 million restated, 46% above the \$4.7 million earned during the fourth quarter of 1982. Earnings per share from continuing operations rose 45% to \$1.03 from \$.71 during the fourth quarter of 1982.

Earnings per share from discontinued operations were \$.15 and \$.64, respectively, for the fourth quarter and year ended November 30, 1983, compared with \$.20 and \$.59 for the same periods of 1982.

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 10 of this report identifies the sources of funds both internal and external, that sustained the Company's growth and provided liquidity. Total funds provided from continuing operations in 1983 increased to a restated \$42.5 million from \$24.8 million a year ago. Funds provided from income and depreciation for restated continuing operations increased \$5.3 million, and changes in certain current assets and liabilities provided an additional \$12.4 million over 1982.

Working capital was \$156 million at year-end 1983, up 20% from working capital of \$130 million at

year-end 1982. Cash and cash equivalents increased \$38.5 million in 1983 with funds from discontinued operations providing \$29.7 million of this increase.

At November 30, 1983 the Company had aggregate credit facilities of \$7.6 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% at year-end 1982, 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 and replacement of previously leased facilities.

6

Quarterly Information (Unaudited)

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

	1984 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Net sales and other revenue	\$160,152	\$199,650	\$173,606	\$161,974
Gross profit	72,507	96,378	77,152	73,587
Income from continuing operations	6,400	14,159	9,592	8,228
Income from discontinued operations	1,137	1,128	-	-
Earnings per share				
Continuing operations	.95	2.09	1.42	1.21
Discontinued operations	.17	.17	-	-
	1983 Fiscal Year by Quarter			
	First	Second	Third	Fourth
Net sales and other revenue	\$136,354	\$174,617	\$145,846	\$158,579
Gross profit	63,642	84,282	66,798	71,501
Income from continuing operations	4,614	9,570	6,806	6,921
Income from discontinued operations	1,049	1,814	409	1,041
Earnings per share				
Continuing operations	.69	1.43	1.01	1.03
Discontinued operations	.16	.27	.06	.15

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.

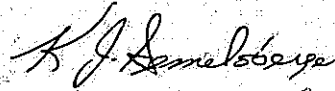
Coopers & Lybrand, independent certified public accountants, are retained to examine the Company's financial statements. Their examination is conducted in accordance with generally accepted auditing standards

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, President and
Chief Executive Officer



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

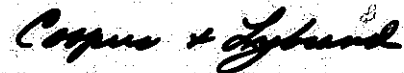
Report of Independent Accountants

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, 1984 and 1983, and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years ended November 30, 1984, 1983 and 1982. 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, 1984 and 1983, and the consolidated results of their operations and changes in their financial position for the years ended November 30, 1984, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.



Cleveland, Ohio
January 14, 1985 (Except for Note 2
as to which the date is February 13, 1985)

Consolidated Statement of Income

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

Year ended November 30

	1984	1983	1982
Net Sales and Other Revenue	\$695,382	\$615,396	\$544,859
Cost of goods sold	<u>375,758</u>	<u>329,173</u>	<u>287,003</u>
Gross profit	319,624	286,223	257,856
Selling, general and administrative expenses	<u>249,809</u>	<u>229,344</u>	<u>209,747</u>
Operating income	69,815	56,879	48,109
Other income (deductions)			
Interest income	14,162	11,064	12,095
Interest expense	(7,841)	(8,731)	(9,644)
Charges for services of finance subsidiary (Note 6)	(9,417)	(12,997)	(12,102)
Income from unconsolidated subsidiaries and joint ventures	3,965	4,066	4,263
Other, net	<u>310</u>	<u>624</u>	<u>(1,007)</u>
	<u>1,179</u>	<u>(5,974)</u>	<u>(6,395)</u>
Income from continuing operations before income taxes	70,994	50,905	41,714
Income taxes (Note 11)	<u>32,615</u>	<u>22,994</u>	<u>18,540</u>
Income from Continuing Operations	38,379	27,911	23,174
Income from discontinued operations (Note 3)	<u>2,265</u>	<u>4,313</u>	<u>3,918</u>
Net Income	<u>\$ 40,644</u>	<u>\$ 32,224</u>	<u>\$ 27,092</u>
Earnings Per Share			
Continuing operations	\$5.67	\$4.16	\$3.45
Discontinued operations	<u>0.34</u>	<u>0.64</u>	<u>0.59</u>
Total Earnings Per Share	<u>\$6.01</u>	<u>\$4.80</u>	<u>\$4.04</u>
Dividends Per Share	\$1.80	\$1.80	\$1.80
Average number of common and common equivalent shares outstanding (000's)	6,760	6,710	6,708

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	
	1984	1983
Assets		
Current Assets		
Cash	\$ 3,882	\$ 4,250
Interest-bearing deposits	96,935	54,552
Short-term investments	20,600	66,041
Receivables, net (Note 4)	108,696	94,153
Inventories (Note 5)	87,084	79,906
Prepaid expenses	6,095	4,364
Total Current Assets	323,292	303,266
Investments in and advances to unconsolidated subsidiaries and joint ventures (Note 6)	50,891	47,485
Property, plant and equipment, net (Note 7)	84,673	85,181
Other assets	9,226	9,135
Total Assets	\$468,082	\$445,067
Liabilities		
Current Liabilities		
Notes payable and current portion of long-term debt (Note 8)	\$ 37,667	\$ 8,785
Accounts payable	42,742	36,201
Accrued employment costs	21,635	23,033
Other accrued liabilities	43,940	47,711
Income taxes	14,465	21,027
Deferred income taxes (Notes 6 and 11)	13,277	10,484
Total Current Liabilities	173,726	147,241
Deferred income taxes (Note 11)	12,232	9,792
Other deferred credits	4,890	5,004
Long-term debt (Notes 8 and 9)	33,333	68,163
Total Liabilities	224,181	230,200
Shareholders' Equity		
Serial preference stock		
Authorized 1,000,000 shares without par value; none issued		
Common stock		
Authorized 15,000,000 shares without par value; stated value of outstanding shares: \$1.25 per share (Note 10)	8,294	8,278
Additional capital	7,061	6,746
Retained earnings (Note 8)	228,546	199,843
Total Shareholders' Equity	243,901	214,867
Total Liabilities and Shareholders' Equity	\$468,082	\$445,067

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

Consolidated Statement of Changes in Financial Position

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

	Year ended November 30		
	1984	1983	1982
Funds from Continuing Operations			
Income from continuing operations	\$ 38,379	\$ 27,911	\$ 23,174
Items included not affecting funds			
Depreciation	10,154	10,127	9,532
Noncurrent deferred income taxes	2,440	1,348	964
Income from unconsolidated subsidiaries and joint ventures	(1,229)	(1,319)	(1,440)
Other	833	389	929
Funds provided (used) by changes in certain current assets and liabilities	(36,971)	4,040	(8,407)
Total funds provided from continuing operations	13,606	42,496	24,752
Funds from discontinued operations	19,207	29,684	2,948
Total funds provided from operations	32,813	72,180	27,700
Funds from Other Sources, Excluding Financing and Investment Activities			
Dispositions of property, plant and equipment, net	6,068	2,059	2,305
Decrease in other assets	112	2,758	—
Increase in other deferred credits	—	—	1,515
Other	36	198	17
Total funds provided before financing and investment activities	6,216	5,015	3,837
Total funds provided before financing and investment activities	39,029	77,195	31,537
Funds Used, Excluding Financing and Investment Activities			
Additions to property, plant and equipment	(20,334)	(19,434)	(11,903)
Cash dividends paid	(11,941)	(11,904)	(11,974)
Decrease in other deferred credits	(114)	(820)	—
Other	(464)	(13)	(75)
Total funds used before financing and investment activities	(32,853)	(32,171)	(23,952)
Net funds provided before financing and investment activities	6,176	45,024	7,585
Funds Provided from (Used In) Financing and Investment Activities			
Payments and current maturities of long-term debt	(5,112)	(5,315)	(2,158)
Sales of common stock under stock options	331	611	22
Increase (decrease) in short-term debt	(836)	(53)	465
Purchases of treasury shares	—	(149)	(5,055)
Investment in tax leases net of current benefit	—	—	(3,367)
Investments in and advances to unconsolidated subsidiaries and joint ventures	(3,985)	(1,593)	(13,523)
Total funds used in financing and investment activities	(9,602)	(6,499)	(23,616)
Net Change in Cash and Cash Equivalents	\$ (3,426)	\$ 38,525	\$ (16,031)

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

Consolidated Statement of Shareholders' Equity

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

	Common Shares		Treasury Shares*		Additional Capital	Retained Earnings	Total Equity
	Number	Dollars	Number	Dollars			
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 10)			(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 10)			(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
Net income						40,644	40,644
Shares issued under stock option plan (Note 10)			(13,433)	16	315		331
Cash dividends— \$1.80 per share						(11,941)	(11,941)
Balances at							
November 30, 1984	7,576,924	\$9,471	941,443	\$ (1,177)	\$7,061	\$228,546	\$243,901

*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		
	1984	(Restated) 1983	(Restated) 1982
Net Sales and Other Revenue			
Education, Information & Training Group	\$277,606	\$254,200	\$235,559
Household Products & Services Group	309,279	267,880	215,006
Commercial Industrial Group	140,707	121,614	111,301
Intersegment Sales	(32,210)	(28,298)	(17,007)
	<u>\$695,382</u>	<u>\$615,396</u>	<u>\$544,859</u>
Income From Continuing Operations Before Income Taxes			
Education, Information & Training Group	\$ 21,368	\$ 18,454	\$ 17,423
Household Products & Services Group	35,151	31,007	19,613
Commercial Industrial Group	18,306	11,840	14,588
Corporate Expenses and Net Interest	(3,831)	(10,396)	(9,910)
	<u>\$ 70,994</u>	<u>\$ 50,905</u>	<u>\$ 41,714</u>
Identifiable Assets			
Education, Information & Training Group	\$118,940	\$100,840	\$ 96,936
Household Products & Services Group	140,305	127,727	109,779
Commercial Industrial Group	64,453	59,612	56,012
Corporate and Other	144,384	143,724	107,234
Discontinued Operations	—	13,164	33,829
	<u>\$468,082</u>	<u>\$445,067</u>	<u>\$403,790</u>
Capital Expenditures			
Education, Information & Training Group	\$ 1,033	\$ 1,390	\$ 968
Household Products & Services Group	9,921	10,661	4,533
Commercial Industrial Group	4,140	4,928	4,849
Corporate and Other	5,240	1,552	831
Discontinued Operations	—	903	722
	<u>\$ 20,334</u>	<u>\$ 19,434</u>	<u>\$ 11,903</u>
Depreciation			
Education, Information & Training Group	\$ 1,570	\$ 1,816	\$ 1,745
Household Products & Services Group	5,396	5,206	4,764
Commercial Industrial Group	2,616	2,263	2,040
Corporate and Other	572	842	983
	<u>\$ 10,154</u>	<u>\$ 10,127</u>	<u>\$ 9,532</u>

Business Segment Information by Geographic Area

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

	Year Ended November 30		
	1984	1983	1982
Net Sales and Other Revenue			
United States	\$669,181	\$587,505	\$516,999
Foreign	39,526	39,361	39,885
Interarea	(13,325)	(11,470)	(12,025)
	<u>\$695,382</u>	<u>\$615,396</u>	<u>\$544,859</u>
Income From Continuing Operations Before Income Taxes			
United States	\$ 73,045	\$ 57,665	\$ 49,577
Foreign	1,780	3,636	2,047
	74,825	61,301	51,624
Corporate Expenses and Net Interest	(3,831)	(10,396)	(9,910)
	<u>\$ 70,994</u>	<u>\$ 50,905</u>	<u>\$ 41,714</u>
Identifiable Assets			
United States	\$429,341	\$393,076	\$329,001
Foreign	38,741	38,827	40,960
Discontinued Operations	—	13,164	33,829
	<u>\$468,082</u>	<u>\$445,067</u>	<u>\$403,790</u>

Notes to Consolidated Financial Statements

The Scott & Fetzer Company and Subsidiary Companies
(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 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 75% and 78% of total inventories at November 30, 1984 and 1983, 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.

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.

2. Subsequent Event

On February 13, 1985, The Scott & Fetzer Company (Company) and Kelso Acquisition Company (Acquisition) entered into an Agreement and Plan of Merger whereby Acquisition and SF Acquisition Sub., Inc., a company wholly owned by the Company's Employee Stock Ownership Plan, would be simultaneously merged with and into the Company, pursuant to which holders of the Company's common stock will be entitled to receive \$62 in cash for each of their shares. The merger is contingent upon the satisfaction of certain conditions, including the com-

pletion of a financing arrangement with General Electric Credit Corporation for approximately \$500 million, approval of the transaction by the holders of two-thirds of the Company's outstanding shares of common stock and receipt of governmental approvals. After the merger, the Company will be a privately held company, owned by the Company's Employee Stock Ownership Plan, a limited partnership formed by Kelso & Company, which is an investment banking firm assisting with the structuring and financing of the merger, and a group of investors that is expected to include members of management. In addition General Electric Credit Corporation will receive warrants enabling it to acquire common stock in the surviving Company. It is anticipated that the transaction will result in the repayment of substantially all of the existing long-term debt of the Company as well as the debt of the unconsolidated finance subsidiaries.

3. Discontinued Operations

During 1984 the Company sold the Douglas division and the American Lincoln division. During 1983 the Company sold the World Book Life Insurance Company, an unconsolidated insurance subsidiary; the Valley Industries division; and Cardinal Plastics, an operating unit of the Western Enterprises division. 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, while part of the Company, are summarized below:

	Year Ended November 30		
	1984	1983	1982
Net Sales	\$10,034	\$42,587	\$55,149
Operating Results:			
Income from discontinued operations before net gain on dispositions, less income taxes (1984—\$396; 1983—\$799; 1982—\$2,480)	\$ 413	\$ 1,565	\$ 3,918
Net gain on dispositions, less income taxes (1984—\$1,780; 1983—\$3,762)	1,852	2,748	—
Income from discontinued operations	\$ 2,265	\$ 4,313	\$ 3,918

The disposal of these operations resulted in the reduction of inventory quantities valued using the LIFO method. The after-tax effects of these reductions, which are included in the net gain on dispositions, amounted to \$2,058 or 30 cents per share in 1984, and \$1,374 or 20 cents per share in 1983.

4. Receivables

Receivables at November 30, 1984 and 1983, consisted of the following:

	1984	1983
Trade receivables, less allowance for doubtful accounts (1984—\$3,882; 1983—\$5,430)	\$ 76,136	\$72,124
Installment receivables, less allowance for doubtful accounts (1984—\$8,137; 1983—\$5,713)	25,242	14,224
Other receivables, net	7,318	7,805
	<u>\$108,696</u>	<u>\$94,153</u>

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 \$8,741 and \$7,242 at November 30, 1984 and 1983, respectively.

The increase in installment receivables in 1984 relates principally to the retention of certain installment receivables which had been purchased by an unconsolidated finance subsidiary in prior years.

5. Inventories

Inventories at November 30, 1984 and 1983, consisted of the following:

	1984	1983
Raw materials	\$27,776	\$24,129
Work-in-process	24,212	26,120
Finished goods	35,096	29,657
	<u>\$87,084</u>	<u>\$79,906</u>

If FIFO costs had been used for inventories presently valued using the LIFO method, inventories would have been \$22,293 and \$24,581 higher than reported at November 30, 1984 and 1983, respectively.

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

The investments in and advances to unconsolidated subsidiaries and joint ventures are carried on the equity basis and at November 30, 1984 and 1983, were as follows:

	1984	1983
Finance subsidiaries	\$51,145	\$46,963
Joint ventures	(254)	522
	<u>\$50,891</u>	<u>\$47,485</u>

The consolidated balance sheet included net amounts payable to unconsolidated subsidiaries of \$1,336 and \$1,953 at November 30, 1984 and 1983, respectively.

The Company has two wholly-owned unconsolidated finance subsidiaries: Scott Fetzer Financial Services Company (SFFS) and World Book Finance, Inc.

SFFS has two wholly-owned subsidiaries, United Acceptance Limited and Scott & Fetzer Financial Services of Canada, Inc. which provide funds to finance installment receivables from customers of the Kirby distributors operating in the United Kingdom and Canada.

World Book Finance, Inc. (WBFI) provides funds principally to finance the domestic installment receivables of World Book, Inc. WBFI has a wholly-owned subsidiary, United Consumer Financial Services Company, which provides funds to finance the domestic installment receivables from customers of Kirby distributors. The Company is obligated under an operating agreement to make available to WBFI amounts sufficient so that WBFI's earnings, as defined, are at least 150% of their fixed charges, primarily interest. The amounts provided were \$9,417 in 1984, \$12,997 in 1983 and \$12,102 in 1982. The current liability for deferred income taxes in the consolidated balance sheet includes amounts related to installment receivables financed by WBFI. Summarized financial statements of WBFI follow.

	November 30	
	1984	1983
Assets		
Cash and cash equivalents	\$ 25,756	\$ 28,943
Finance receivables, net of allowance for credit losses	105,645	98,806
Other assets	5,480	6,891
Total Assets	<u>\$136,881</u>	<u>\$134,640</u>
Liabilities and Equity		
Accounts payable and other liabilities	\$ 9,374	\$ 7,429
Term debt	86,875	89,500
Scott Fetzer equity	40,632	37,711
Total Liabilities and Equity	<u>\$136,881</u>	<u>\$134,640</u>

	Year Ended November 30		
	1984	1983	1982
Total revenue	\$23,010	\$23,384	\$22,428
Interest expense	11,598	11,776	11,022
Other expenses	5,594	5,685	5,895
Income taxes	2,897	3,016	2,840
Net income	<u>\$ 2,921</u>	<u>\$ 2,907</u>	<u>\$ 2,671</u>

7. Property, Plant and Equipment

Property, plant and equipment at November 30, 1984 and 1983, consisted of the following:

	1984	1983
Land and land improvements	\$ 5,892	\$ 4,554
Buildings	32,871	31,965
Machinery and equipment	100,886	101,866
Capitalized leases	5,391	9,942
	<u>145,040</u>	<u>148,327</u>
Accumulated depreciation and amortization	60,367	63,146
	<u>\$84,673</u>	<u>\$85,181</u>

8. Notes Payable and Long-Term Debt

The Company had borrowings of \$4,082 and \$4,918 at November 30, 1984 and 1983 under bank credit lines in various foreign countries. These credit lines totaled \$6,435 and \$7,635 at those dates.

A summary of long-term debt, at November 30, 1984 and 1983, excluding the current portion, follows:

	1984	1983
9½% Notes, payable in annual installments of \$2,500 thru 1998	\$32,500	\$35,000
9¼% Notes, due 1985	—	30,000
Other long-term debt due in installments thru 1987	348	522
Capitalized leases with interest rates from 4% to 25% due in installments thru 1989	485	2,641
	<u>\$33,333</u>	<u>\$68,163</u>

The 9½% and 9¼% note agreements contain covenants regarding increases in debt, minimum asset-to-debt ratios and the extent to which dividends may be paid. Under the most restrictive of the debt covenants, retained earnings available for the payment of dividends amounted to \$75,833 at November 30, 1984.

Aggregate maturities of long-term debt are \$33,585, \$3,013, \$2,756, \$2,555 and \$2,509 for the years ending November 30, 1985 thru 1989, respectively.

In October, 1984 the Company obtained a commitment for revolving credit agreements from several commercial banks whereby the Company may borrow up to \$100 million through December 1, 1989. Under the terms of the agreements, the Company will be required to comply with certain covenants and restrictions and pay commitment fees up to ¾% per annum on the unused portions. There were no borrowings under these agreements during 1984.

9. 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, 1984 and 1983, were as follows:

	1984	1983
Land and land improvements	\$ 333	\$ 333
Buildings	3,603	7,265
Machinery and equipment	1,455	2,344
	<u>5,391</u>	<u>9,942</u>
Accumulated amortization	3,323	5,962
	<u>\$2,068</u>	<u>\$3,980</u>

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

Year Ending November 30	Capitalized Leases	Operating Leases
1985	\$1,061	\$ 5,492
1986	415	3,390
1987	130	2,248
1988	78	1,567
1989	9	1,010
Later years	—	1,060
Total minimum lease payments	1,693	14,767
Less minimum sublease rents	—	131
Net minimum lease payments	1,693	<u>\$14,636</u>

Less:

Amount representing estimated executory costs	99
Amount representing interest	198
Present value of minimum lease payments, of which \$911 is due within one year	<u>\$1,396</u>

Rent expense for continuing operations for the years ended November 30, 1984, 1983 and 1982 amounted to \$7,480, \$6,849, and \$6,460, respectively.

10. Stock Options

The Company's 1973 and 1981 Stock Option Plans provide for the granting of options to key executive employees to purchase shares of the Company's common stock at not less than 100% of its fair market value on the date of grant.

Options issued under the 1981 Plan 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, 1984 no such rights had been granted.

Changes in options outstanding under these plans during the years 1982, 1983 and 1984 follow:

	Shares	Option Price or Range
1973 Stock Option Plan		
November 30, 1981	264,865	23½-28
Granted	18,700	33-35½
Exercised	(1,000)	23½-23½
Cancelled	(23,375)	23½-26½
November 30, 1982	259,190	23½-35½
Granted	26,193	42¾-44½
Exercised	(23,426)	23½-28
Cancelled	(13,725)	23½-26¾
November 30, 1983	248,232	23½-44½
Granted	492	57
Exercised	(11,508)	23½-28
Cancelled	(14,354)	23½-42¾
November 30, 1984	222,862	23½-57
1981 Stock Option Plan		
November 30, 1981	68,060	28
Granted	63,650	33-35½
Exercised	-	-
Cancelled	(2,650)	28
November 30, 1982	129,060	28-35½
Granted	61,807	42¾-44½
Exercised	(1,480)	28
Cancelled	(6,870)	28-35½
November 30, 1983	182,517	28-44½
Granted	37,108	57
Exercised	(1,925)	28-35½
Cancelled	(17,580)	28-42¾
November 30, 1984	200,120	28-57

Options exercisable, shares available for future grants, and shares reserved for issuance under these plans follow:

	November 30		
	1984	1983	1982
1973 Stock Option Plan			
Options exercisable	199,415	187,990	171,581
Shares available for future grants	255,417	241,555	254,023
Shares reserved for issuance	478,279	489,787	513,213
1981 Stock Option Plan			
Options exercisable	79,536	45,068	16,353
Shares available for future grants	296,475	316,003	370,940
Shares reserved for issuance	496,595	498,520	500,000

11. Income Taxes

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

	Year Ended November 30		
	1984	1983	1982
Current			
Federal	\$22,183	\$17,850	\$12,736
State and local	4,105	3,603	2,769
Foreign	1,098	1,719	635
	<u>27,386</u>	<u>23,172</u>	<u>16,140</u>
Deferred			
Current	2,330	(4,313)	(2,848)
Noncurrent	2,899	4,135	5,248
	<u>5,229</u>	<u>(178)</u>	<u>2,400</u>
	<u>\$32,615</u>	<u>\$22,994</u>	<u>\$18,540</u>

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

	Year Ended November 30		
	1984	1983	1982
Accelerated depreciation	\$ 277	\$1,338	\$ 620
Expenses deductible for tax purposes when paid	333	(3,315)	(845)
Taxes deferred on installment sales	1,841	(1,228)	(2,346)
Purchased tax benefits	2,530	2,665	4,526
State and local income/franchise tax timing differences	248	362	445
	<u>\$5,229</u>	<u>\$ (178)</u>	<u>\$2,400</u>

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

	Year Ended November 30		
	1984	1983	1982
Statutory federal tax rate	46.0%	46.0%	46.0%
State and local income taxes net of federal income tax benefit	3.1	3.5	3.6
Investment tax credit and research & development credit	(1.4)	(2.2)	(2.9)
DISC income not taxed	(.4)	(1.0)	(1.1)
Foreign operations tax effect	(.4)	.5	(.6)
Exempt municipal interest	(.9)	(1.0)	(1.7)
Other, net	(.1)	(.6)	1.1
	<u>45.9%</u>	<u>45.2%</u>	<u>44.4%</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 1984, 1983 and 1982, and will not have a material effect on net income in any future period. While not reducing the provision for income taxes, current tax payments have been reduced by the tax benefits realized from these transactions.

12. 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, 1984, 1983 and 1982 was \$3,947, \$4,671 and \$5,729, respectively.

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 1984 and 1983 fiscal years, is as follows:

	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	\$17,087	\$14,915
Non-vested	2,420	2,674
Total value	<u>\$19,507</u>	<u>\$17,589</u>
Net assets, at market value, available for benefits	<u>\$36,505</u>	<u>\$31,396</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.

13. Business Segment Information

Information with respect to the Company's business segments is contained on pages 12 and 13 of this report. Business Segment Information by Industry has been restated for 1983 and 1982 to be comparable to the 1984 realignment of the Company's operating units into three business groups.

World Book Finance, Inc., United Consumer Financial Services Company, United Acceptance Limited and Scott & Fetzer Financial Services of Canada, Inc. are wholly-owned unconsolidated subsidiaries that provide financing to purchasers of certain of the Company's products. The

income from these subsidiaries is 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. Corporate and other assets primarily represent cash and cash equivalents.

14. 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.

15. Supplementary Information Concerning the Effects of Inflation on Operations (Not Covered by Report of Independent Accountants)

The Company's financial statements are prepared on a historical cost basis. This basis does not account for the effects of inflation 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 Statements No. 33 and No. 82 issued by The Financial Accounting Standards Board. These statements require computation of certain supplementary information utilizing current costs. This method inherently involves the use of assumptions, estimates and subjective judgments and should not be viewed as a precise indicator for 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 effect of inflation on the Company.

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. Depreciation 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 51.9% for current cost basis income from continuing operations, compared with 45.9% in the primary statements.

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

For the year ended November 30, 1984

(Dollars in thousands except per share data)

	As Reported in Primary Statements	Adjusted for Changes in Specific Prices (Current Cost)
Net Sales and Other Revenue	\$695,382	\$695,382
Cost of goods sold	375,758	382,631
Gross profit	319,624	312,751
Selling, general and administrative expenses	249,809	251,108
Operating income	69,815	61,643
Other income (deductions)		
Interest income	14,162	14,162
Interest expense	(7,841)	(7,841)
Charges for services of finance subsidiary	(9,417)	(9,417)
Income from unconsolidated subsidiaries and joint ventures	3,965	3,965
Other income, net	310	310
Income from continuing operations before income taxes	70,994	62,822
Income taxes	32,615	32,615
Income from Continuing Operations	\$ 38,379	\$ 30,207
Depreciation included above	\$ 10,154	\$ 14,088
Earnings per share—continuing operations	\$ 5.67	\$ 4.47
Effective income tax rate	45.9%	51.9%
Net assets at end of year	\$243,901	\$289,818
Purchasing power loss from holding net monetary assets during the year		\$ 501
Increase in general price level of inventories and property, plant and equipment during the year		\$ 9,079
Less effect of increase in current cost		6,697
Excess of increase in general inflation over increase in current cost		\$ 2,382

Selling, general and administrative expenses have been adjusted for depreciation expense of \$1,299 due to adjustments for changes in current costs.

At November 30, 1984, the estimated current cost of inventories and property, plant and equipment, net of accumulated depreciation was \$107,813 and \$109,861, respectively.

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

Expressed in Average 1984 Dollars

(Dollars in thousands except per share data)

	Year Ended November 30				
	1984	1983	1982	1981	1980
Net sales and other revenue	\$695,382	\$641,667	\$586,248	\$679,560	\$723,704
Current cost information:					
Income from continuing operations	30,207	18,713	15,734	20,170	12,206
Income from continuing operations per share	4.47	2.79	2.35	2.78	1.65
Net assets at year-end	289,818	281,316	274,701	276,472	295,666
Excess of increase in general inflation over increase in current cost	2,382	2,647	(715)	5,033	5,303
Other information:					
Purchasing power gain (loss) from holding monetary assets and liabilities during the year	(501)	396	1,422	2,454	4,749
Cash dividends per share:					
As reported	1.80	1.80	1.80	1.80	1.80
Average 1984 dollars	1.80	1.88	1.94	2.06	2.28
Common share market price at year-end:					
As reported	56.75	42.50	34.12	28.25	23.50
Average 1984 dollars	55.71	43.52	36.05	31.22	28.45
Average Consumer Price Index	310.2	297.5	288.3	270.5	244.4

Directors

ROBERT W. BJORK
Managing Director,
Stuyvesant Capital Management Corp.
Investment advisory firm
3, 5, 6*

STEPHEN H. FULLER
Professor, Harvard Business School
2, 3, 5, 6

JAMES A. HUGHES
Chairman, First Union
Real Estate Investments
Real estate investment trust
2, 3, 4, 6

LAWRENCE C. JONES
Chairman and President,
Van Dorn Company
Manufacturer of special purpose
containers, plastic injection molding
machinery
1, 2, 4, 6

KEARNEY K. KIER
Vice President (President, Household
Products & Services Group)

RALPH SCHEY
Chairman, President and
Chief Executive Officer.
1, 3, 5, 6

KENNETH J. SEMELSBERGER
Senior Vice-President,
Finance & Administration
1, 4

K. WAYNE SMITH
Vice President (President, Education,
Information & Training Group)

MARY ALICE WHITE
Professor of Psychology and Director,
Electronic Learning Laboratory
Teachers College
Columbia University
2, 4, 6

COMMITTEES OF THE BOARD

- (1) Executive Committee
- (2) Audit Committee
- (3) Compensation Committee
- (4) Investment and Pension Committee
- (5) Nominating Committee
- (6) Planning and Organization Committee

*Denotes Chairman

Corporate Management

RALPH SCHEY
Chairman, President and
Chief Executive Officer

KENNETH J. SEMELSBERGER
Senior Vice President,
Finance & Administration

K. WAYNE SMITH
Vice President
(President, Education, Information
& Training Group)

WALTER A. RAJKI
Vice President

JOHN BEBBINGTON
Vice President
(President, Commercial Industrial
Group)

KEARNEY K. KIER
Vice President
(President, Household Products
& Services Group)

J. F. BRADLEY
Vice President
(President, Financial
Services Group)

KENNETH D. HUGHES
Vice President and Controller

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

WILLIAM W. T. STEPHANS
Vice President and Treasurer

THEODORE C. BLISS
Assistant Controller

RICHARD E. HERTHNECK
Assistant Secretary
and Associate Counsel

CORRINE E. REYNOLDS
Assistant Secretary
and Associate Counsel

Operating Units

Adalet Division
1804 West 150th Street
Cleveland, Ohio 44135
216 267 9000

Campbell Hanstfeld Division
190 Production Drive
Harrison, Ohio 45030
513 367 1811

Carefree of Colorado Division
2115 West 6th Avenue
Broomfield, Colorado 80020
303 469 3324

Cleveland Wood Products Division
388E West 150th Street
Cleveland, Ohio 44111
216 252 1190

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

Haley Division
23901 Aurora Road
Bedford Heights, Ohio 44146
216 439 1616

Kirby Company Division
1920 West 114th Street
Cleveland, Ohio 44102
216 228 2400

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

Northland Division
96S Bradley Street
Watertown, New York 13601
315 782 2350

Powerwinch Division
217 Long Hill Cross Road
Shelton, Connecticut 06484
203 929 5371

Quikut Division
1100 Napoleon Street
Fremont, Ohio 43420
419 332 8257

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

Wayne Home Equipment Division
501 Glasgow Avenue
Fort Wayne, Indiana 46803
219 426 4000

Western Enterprises Division
875 Bassett Road
Westlake, Ohio 44145
216 871 2160

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

Scott Fetzer

QUALITY PRODUCTS FOR HOME AND FAMILY

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 & 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 of Canada, Inc.	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 1984 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 1984 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