FAWICK CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To The Shareholders of FAWICK CORPORATION:

PLEASE TAKE NOTICE that a Special Meeting of Shareholders of Fawick Corporation, a Michigan corporation (hereinafter called "Fawick"), will be held at the Hotel Statler Hilton, Cleveland, Ohio, on Tuesday, the 26th day of March, 1968 at 2:00 o'clock P.M. (Eastern Standard Time) for the following purposes:

1. To consider and vote upon the adoption of the Agreement of Merger dated as of February 1, 1968, between Fawick and Eaton Yale & Towne Inc., an Ohio corporation (hereinafter sometimes called "EYT"), which is included in the accompanying Proxy Statement and provides for the merger of Fawick into EYT as the surviving corporation, and to authorize the directors and appropriate officers of Fawick to take all action necessary or desirable to accomplish said merger;

2. To transact such other business as may properly come before the meeting.

Only the shareholders of record at the close of business on March 1, 1968 are entitled to notice of, and to vote at, this meeting. The affirmative vote of holders of not less than two-thirds of the outstanding shares of capital stock of Fawick will be required to accomplish the proposed merger.

Shareholders who do not expect to be present at the meeting are urged to complete, date, sign and return the enclosed proxy in the envelope furnished. No postage is needed if mailed in the United States.

By Order of the Board of Directors,

EDWARD C. CROUCH
Secretary

Dated: March 1, 1968

FAWICK CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Note 1. Principles of Consolidation:

The financial statements include the accounts of the Corporation and all of its subsidiaries, both domestic and foreign.

The following changes have occurred in the January 1, 1963-December 31, 1967 period included in the Consolidated Statement of Income:

a) Fawick N. V., a Netherlands corporation, was formed in 1965;

b) In transactions accounted for as poolings of interests, Fawick Flexi-Grip Company was acquired in May, 1964 and Olme Precision, Inc. in September, 1967. The operating results of these companies are included for all periods shown in the Consolidated Statement of Income.

c) During 1964 and 1965, Fawick Corporation owned approximately 58 per cent of the capital stock of National Friction Products Corp. and the accounts of National are included in the income statements for those years. In 1966, Fawick Corporation's ownership decreased to its present 43 per cent interest and the accounts of National are not included for any period subsequent to 1965. The losses of National in 1964 and 1965 were not significant in relation to consolidated net income.

The Corporation's equity in the net assets of consolidated subsidiaries exceeded its investment therein by $230,716 at December 31, 1967, which amount is included in consolidated retained earnings.

Net current assets of foreign subsidiaries have been expressed in United States dollars at the rates of exchange in effect at December 31, 1967. Property, plant and equipment have been expressed in United States dollars at historical rates of exchange. Earnings of foreign subsidiaries have been expressed in United States dollars at an average exchange rate, the unrealized difference being reflected in the consolidated statement of income.

Note 2. Deferred Federal Income Taxes:

The balance represents the cumulative deferred tax effect arising from the excess of accelerated depreciation taken for tax purposes over depreciation recorded in the accounts. The portion applicable to the year 1967 was $90,000.

Note 3. Inventories:

The amounts of inventories used in determination of cost of goods sold were as follows:

December 31, 1967	$3,338,278
December 31, 1966	3,402,460
December 31, 1965	2,479,506
December 31, 1964	2,170,085
December 31, 1963	1,883,423

The balance of inventories at December 31, 1967 of $3,338,278 is after deduction of allowance for inventory shrinkage and obsolescence of $60,500.