

ANNUAL MEETING OF THE SHAREHOLDERS
OF THE GLIDDEN COMPANY, HELD AT THE EUCLID
ROOM, STATLER HILTON HOTEL, CLEVELAND, OHIO,
ON THURSDAY, DECEMBER 11, 1958.

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REILENDER, DONLEY & FERRIS
SHORTHAND AND STENOGRAPHIC REPORTERS
1288 UNION COMMERCE BLDG. • CLEVELAND 14, OHIO
CHERRY 1-8303

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Euclid Room, Statler Hilton Hotel,
Cleveland, Ohio
Thursday, December 11, 1958, at 10:00 a.m.

CHAIRMAN DWIGHT P. JOYCE: The meeting will
please come to order.

I want to extend a very cordial welcome to all
the stockholders and guests present. We appreciate your
sincere interest in the activities of our Company, as
evidenced by your venturing out in this cold and snowy
weather. Someone called my attention this morning to
the fact that today is the 41st birthday of The Glidden
Company. Forty-one years ago today the Company in its
present form started business.

Before proceeding with the business affairs
to be considered today, I want all of the stockholders
present to understand that this is your meeting. As
such, you are entitled to make any comments or ask any
questions you may have. Although we would prefer that
you save these questions until the question and answer
period, please feel free to ask for recognition at any
time during the meeting when you think a question is
pertinent. When you have been given the floor, I
would like to request that you clearly state your name
and place of residence. We are keeping an official
record of this meeting and a slightly condensed version
of this record will be sent to all stockholders with
the January dividend. Because of this, we must be
sure of identifying each of you who have questions to ask.

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1 Should you desire or need to use them, microphones have
2 been placed in the center aisle and on the sides for your
3 convenience.

4 Now, I would like to report that the Board of
5 Directors, at its meeting held on November 25, 1958,
6 appointed Mr. R. K. Dutton, Mr. R. A. Augsburger, and
7 Mr. M. W. Peters as Inspectors of Election. A quorum
8 is present at this meeting. Immediately prior to the
9 meeting, the Inspectors reported that 1,848,244 shares
10 are present represented by proxies received prior to the
11 meeting. A final report on all shares represented in
12 person or by proxies will be made later at the meeting,
13 subsequent to the balloting.

14 All Directors of the Company are present.
15 A partner of the Company's auditor is also present at
16 this meeting.

17 The secretary will now present a copy of the
18 notice of the meeting.

19 MR. R. D. HORNER: Mr. Chairman, I have a
20 copy of the notice of the meeting, the proxy statement,
21 and the proxies which were mailed to the shareholders
22 of record as of 30 days prior to this meeting date.
23 I also have a certificate that as of the close of business
24 on November 11th, the record date, the Company owned no
25 treasury shares of its common stock. I would also like

1 to present, as required by law, an audited financial
2 statement of the Company.

3 CHAIRMAN JOYCE: As the next item of business,
4 we will have the secretary read the minutes of the previous
5 annual meeting of the stockholders which was held December
6 12, 1957, unless there is a motion to dispense with the
7 reading.

8 MR. J. C. COTTEE: Mr. Chairman, I move that
9 we dispense with the reading of the minutes of the prior
10 meeting.

11 MR. R. W. PATTERSON: Mr. Chairman, I second
12 the motion.

13 CHAIRMAN JOYCE: It has been moved and
14 seconded that we dispense with the reading of the minutes
15 of the previous meeting. All those in favor, signify
16 by saying, "Aye." Contrary? The motion is carried.

17 Now, I would like to announce that in accordance,
18 with a stockholder's request, the cumulative voting
19 method will be used for the voting of Directors pursuant
20 to Ohio law. I would like to announce at this time
21 that the Board of Directors recommends the fixing of the
22 number of Directors at twelve, rather than the previous
23 eleven members. I would like to explain to the stock-
24 holders present that the purpose of this is so we could
25 elect an outside Director.

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1 I will entertain a motion that the Board consist
2 of twelve members this year.

3 MR. HORNER: Mr. Chairman, I would
4 like to present the following resolution:

5 "Resolved, That the Board of Directors of this
6 Company consist of twelve members," and I move its
7 adoption.

8 CHAIRMAN JOYCE: Is there a second?

9 MR. D. E. ERSKINE: Mr. Chairman, I second
10 the motion.

11 CHAIRMAN JOYCE: It has been moved and
12 seconded that the number of the Board of Directors be
13 increased to twelve this year. All those in favor,
14 signify by saying, "Aye." Contrary? Carried.

15 Next will be the nomination of the twelve
16 Directors.

17 MR. R. E. DORFMEYER: Mr. Chairman, I wish
18 to nominate the following persons for election as Directors
19 of the Company:

20 Mr. Dwight P. Joyce,	Mr. Willard C. Lighter
21 Mr. Alexander D. Duncan,	Mr. Harvey L. Slaughter
22 Mr. B. W. Maxey,	Mr. G. M. Halsey
23 Mr. John H. Weeks,	Mr. W. D. Stallcup
24 Mr. R. D. Horner,	Mr. G. S. Warner
25 Mr. W. G. Phillips,	Mr. W. P. Smith

1 CHAIRMAN JOYCE: Is there a second to these
2 nominations?

3 MR. M. A. DuPONT: Mr. Chairman, I second
4 these nominations.

5 CHAIRMAN JOYCE: You have heard the slate
6 of Directors. It has been seconded. The Chair will
7 now entertain a motion that the nominations be closed.

8 MR. W. P. STETZELBERGER: Mr. Chairman, I
9 move that the nominations be closed.

10 CHAIRMAN JOYCE: Is there a second?

11 MR. J. C. COTTEE: Mr. Chairman, I second
12 the motion.

13 MR. LEWIS D. GILBERT: I would like to speak,
14 Mr. Chairman, on the nomination. My name is Lewis
15 Gilbert and I am a shareholder and speaking on behalf
16 of other stockholders who have sent me proxies, too,
17 today. I want to congratulate you on the choice of
18 Mr. Smith as your outside Director and the point that I
19 like is -- and I have liked this over the years -- that
20 when you say you intend to do something, you keep your
21 word. You and I, over the years, may occasionally differ
22 on something, but if you say you are going to do some-
23 thing, you do it, and that I like.

24 CHAIRMAN JOYCE: Thank you, Mr. Gilbert.

25 MRS. EVELYN YVONNE DAVIS: Mr. Chairman,

1 my name is Evelyn Yvonne Davis. I am from Washington,
2 D. C. I would like to see more outside Directors on
3 the Board. Why don't you put a New York banker on
4 your Board? Perhaps we would get some more favorable
5 terms on some of the bank loans. It would certainly
6 add to the prestige of our stock and be good for business
7 all the way around. Maybe you should serve on the Board
8 of some other companies, too.

9 CHAIRMAN JOYCE: Well, Mrs. Davis -- is
10 that correct, Davis?

11 MRS. DAVIS: Yes. Davis.

12 CHAIRMAN JOYCE: Well, Mrs. Davis, I
13 appreciate your comment. This business of getting
14 proper outside Directors is a little complicated and
15 more difficult than it might seem. I hope that some
16 time in the not too distant future, we will have other
17 outside Directors and perhaps a financial man. Does that
18 answer your question?

19 MRS. DAVIS: Yes.

20 Then, another subject, I would like to say
21 something else. Why don't you rotate the meeting
22 sometimes to New York City where most of the shareholders
23 are located? I am from Washington myself and it is hard
24 enough to get here. It is a lot easier to get to New
25 York and I am sure it is hard for the other shareholders, too.

1 CHAIRMAN JOYCE: We feel that in our own
2 case, it is the best policy to have the meetings at the
3 headquarters of the Company.

4 MRS. DAVIS: Pardon?

5 CHAIRMAN JOYCE: We feel it is best to
6 have the meetings of our stockholders at the head-
7 quarters of the Company where all of our people can be
8 present who want to be to ask questions and so forth.

9 MRS. DAVIS: Yes, but you could
10 occasionally have a regional meeting.

11 CHAIRMAN JOYCE: Well, that is a possibility.

12 MRS. DAVIS: That way, you can go to
13 New York and talk to your contacts there and drum up some
14 more business. (Laughter.)

15 CHAIRMAN JOYCE: You have heard the motion,
16 which has been seconded, that the nominations be closed.
17 All those in favor, signify by saying, "Aye." Contrary?
18 Carried. The nominations are closed and stockholders who
19 have not turned in proxies may obtain ballots at the
20 inspectors' table at the front of the room, and the
21 inspectors will then canvass the vote.

22 I would now like to introduce the Director
23 nominees to the stockholders and give a few brief comments
24 about each one.

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1 On my extreme left, Mr. George S. Warner.

2 Mr. Warner is one of the newer members of our Board,
3 having been elected in 1957. Mr. Warner has over twelve
4 years service in the Company. He was elected assistant
5 comptroller in 1952 and comptroller in 1953.

6 Next to him is Mr. George M. Halsey. He has
7 twenty-six years of service with the Company. In 1947,
8 he was made manager of our St. Helena titanium oxide
9 plant. In 1950, Director of Manufacturing for Chemicals-
10 Pigments-Metals Division. He was elected vice-president
11 of that Division and a Director of the Company in 1956.

12 Next to Mr. Halsey is Mr. Willard C. Lighter.
13 He has been with our Company for six years. Prior to
14 joining us, he had eighteen years of service with Kilgore,
15 Incorporated, and held the position of Executive Vice
16 President of their Falcom Company Division, when he
17 left that firm. In 1953, he was elected Director and
18 Vice President of the Chemurgy Division. In 1956, he
19 was elected to the new position of Executive Vice President.

20 Next, Mr. John H. Weeks. He has been with
21 our company for twenty-four years. In 1949, he was
22 appointed Director of Personnel. In 1952, elected
23 Director. In 1955, elected Vice President of Personnel.

24 Next is Mr. B. W. Maxey. He came with Glidden
25 eighteen years ago from B. F. Goodrich. In 1948,

1 was elected Comptroller. In 1950, elected a Director.
2 In 1953, elected a Vice President, Finance.

3 Next is Mr. Alexander D. Duncan, thirty-four
4 years of service with the Company. He has been a
5 Director and Vice President of the Paint Division since
6 1947.

7 I am also a candidate for Director and I have
8 been with the Company for thirty-seven years, having been
9 elected first in 1927 and in 1940, was made Vice President
10 of the Paint Division. In 1947, was made President.
11 1954, Chairman and President.

12 Next is Mr. Robert D. Horner. Mr. Horner
13 joined Glidden ten years ago. In 1949, he was elected
14 Assistant Secretary. In 1951, he was elected Secretary,
15 and in 1953, a Director. In addition to duties as
16 Secretary, Mr. Horner serves as General Counsel of the
17 Company and heads up our Legal Department.

18 Mr. William G. Phillips has been with the
19 Company for eleven years. In 1952, he was elected
20 Assistant Treasurer. In 1953, he was elected Treasurer
21 and a Director.

22 Next is Mr. Harvey L. Slaughter. Mr. Slaughter
23 joined the Paint Division of our Company twenty-four years
24 ago and worked up to the position of Regional Director of
25 the Eastern Division at Reading, Pennsylvania. He later

1 moved over to the Foods Division and was elected Vice
2 President of Durkee in 1953 and a Director of the Company
3 in 1954.

4 Mr. W. D. Stallcup is just completing his
5 second year as a Director. He has been associated with
6 the Organic Chemical operations in Jacksonville for
7 sixteen years. He became General Manager of that
8 Division in 1948 and Vice President in 1957.

9 Next is Mr. William P. Smith. Mr. Smith
10 has been nominated as a Director for the first time.
11 He has practiced law in Washington, D.C., since 1928,
12 specializing in Federal taxation, trade, and commerce.
13 In addition to his corporate practice, he represents
14 a number of trade associations in the manufacturing and
15 merchandizing fields and has served as a Director of
16 the River Raisin Paper Company since 1946. Mr. Smith
17 will bring to our Board a valuable insight into govern-
18 mental affairs and their effect upon the plans and policies
19 of the Company.

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21 (See next page.)
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1 The next order of business will be to approve
2 the action of the Board of Directors in appointing Ernst
3 & Ernst as auditors for the Company. Do we hear such a
4 resolution?

5 MR. HORNER: Mr. Chairman, I present
6 the following resolution:

7 "Resolved, ^{that} The designation of Ernst & Ernst,
8 a firm of certified public accountants, by the Board
9 of Directors of this Company as auditors for this
10 Company be and it is hereby approved." I move its
11 adoption.

12 CHAIRMAN JOYCE: Is there a second?

13 MR. D. E. ERSKINE: Mr. Chairman, I will
14 second the motion.

15 CHAIRMAN JOYCE: Mr. Gilbert?

16 MR. GILBERT: Mr. Chairman, with your
17 permission, I would like to ask a question of the auditor.
18 Where is my friend?

19 CHAIRMAN JOYCE: Mr. Halvorson.

20 MR. GILBERT: There you are. During
21 the year, there was a great deal of discussion about the
22 Atlas Plywood case which came up in the annual report a
23 year ago and I am a shareholder in it. In the September
24 Journal of Accountancy, there was a reply of Pete Marwick,
25 explaining many of the problems which had come up in this

1 case, and they made one point which I think is relevant
2 to all companies. They said that in the matter of pur-
3 chasing, some companies use a centralized purchasing
4 method; some use a decentralized purchasing method.
5 What I would like to know is, which method does Glidden
6 use?

7 MR. N. T. HALVORSON: My name is Halvorson,
8 with Ernst & Ernst here in Cleveland. Mr. Gilbert, I
9 believe your question is one that would more properly
10 be directed to Mr. Maxey or Mr. Warner or a member of
11 the Board, at least, of The Glidden Company's internal
12 organization. The Glidden Company, I think, has a
13 policy of both centralized and divisional-regional
14 purchasing, but, quite honestly, the question is not one
15 which the independent accountant is competent to answer,
16 I might say. It is an internal policy matter, rather
17 than an accounting matter.

18 MR. GILBERT: I think he should know
19 that I agree that it is a managerial matter but I think
20 the independent outside auditor should know which is
21 used, and you have stated that they use both, so I would
22 like to hear how it is worked out.

23 CHAIRMAN JOYCE: Mr. Gilbert, Mr. Halvorson
24 was correct. We use both methods in our Company. We have,
25 as you know, four major divisions. In paint, we operate

1 on an entirely centralized purchasing setup. We have
2 a purchasing staff here at headquarters that handles all
3 the paint purchases.

4 Now, in the case of the Durkee Foods Division,
5 on some commodities we do it on a centralized basis, and
6 on others, where it is more advantageous, we do it
7 locally. In the Chemicals-Pigments-Metals Division,
8 that is centralized purchasing controlled from one
9 headquarters point, and I think that is also true of our
10 Organic Chemical Division.

11 Does that answer your question?

12 MR. GILBERT: Yes.

13 Just one other point on that: When it is
14 done locally, how does one check up from top management?

15 CHAIRMAN JOYCE: Well, when it is done
16 locally, the local purchasing agent or purchasing officer
17 reports directly to the manager and then on important
18 purchases, even if they are done locally, copies of
19 actions go into headquarters for review by our headquarters
20 purchasing department.

21 MR. GILBERT: Thank you.

22 CHAIRMAN JOYCE: Mrs. Davis?

23 MRS. DAVIS: Mr. Chairman, I would also
24 like to direct some questions to the independent auditor.

25 CHAIRMAN JOYCE: Mr. Halvorson?

1 MRS. DAVIS: First of all, I would
2 like to know, is the parent company the guarantor of any
3 underlying senior securities of subsidiaries?

4 MR. HALVORSON: If I understand it, is
5 the parent company the guarantor of any underlying
6 securities of subsidiaries?

7 MRS. DAVIS: Yes.

8 MR. HALVORSON: Here again, this is a
9 question which I believe ought to be directed to the
10 Company Treasurer, but to the best of my knowledge,
11 it is not.

12 MRS. DAVIS: What is the appraised
13 value of the plant and the equipment?

14 MR. HALVORSON: That is a question which
15 I cannot answer.

16 MRS. DAVIS: Maybe you can tell me
17 something about this: There is no separate item for
18 good will on the balance sheet. Is there any good
19 will in the assets. (Laughter)

20 MR. HALVORSON: Not recognized in the
21 accounts. No dollar value is assigned to any good
22 will matters.

23 MRS. DAVIS: It is one dollar? Why
24 isn't it stated separately like in other annual reports?

25 MR. HALVORSON: Well, an item of that

1 magnitude just wouldn't be given that much emphasis in
2 the ordinary presentation of the financial position.
3 It is strictly a token amount.

4 MRS. DAVIS: Well, on the audited
5 annual report, I think it ought to be a separate item.
6 It is quite important, especially when you compute the
7 book value, to know if there is any good will.

8 MR. HALVORSON: Well, if it was anything
9 substantial, I think the Company would present it as a
10 separate dollar value somewhere in the balance sheet.

11 MRS. DAVIS: Could you tell me, perhaps,
12 or maybe the Company Treasurer could, what the depreciation
13 would be had his straight line methods been used through-
14 out, instead of after 1954, when you used the sum of the
15 digit method, which of course increases the depreciation?

16 MR. HALVORSON: Well, those figures, I
17 know, are available. I certainly couldn't quote them
18 without reference to some of our records or working papers.
19 Possibly someone in the Company organization does have
20 the information. Possibly an officer may even have a
21 mental recollection of it. I haven't.

22 MRS. DAVIS: I would like to know why
23 the straight line method hasn't been used throughout?
24 We would have had higher earnings.

25 MR. HALVORSON: Mrs. Davis, I think again

1 you are directing a question to me, which represents
2 Company policies, that ought to be answered by someone
3 in the internal organization.

4 MRS. DAVIS: Mr. Maxey, can you answer
5 me? You are the Treasurer, aren't you?

6 CHAIRMAN JOYCE: Mr. Phillips is the
7 Treasurer.

8 MRS. DAVIS: Oh.

9 MR. MAXEY: Would you like me to
10 answer this?

11 CHAIRMAN JOYCE: Yes. You may answer
12 the question, Mr. Maxey.

13 MR. MAXEY: Your question, I believe,
14 was, had we used a straight line method throughout, would
15 our depreciation have been less?

16 MRS. DAVIS: Right.

17 MR. MAXEY: Our depreciation would
18 have been somewhere in the neighborhood of two million
19 dollars less had we not used rapid amortization in 1958
20 on part of our properties, and the sum-of-digits method
21 since 1954 on other properties.

22 MRS. DAVIS: I would like to know
23 why you didn't use the straight line method throughout?

24 MR. MAXEY: That answer is fully
25 obvious, I think, in that it is up to the Company to

1 create the maximum cash flow possible into that Company
2 to be used for further growth of the Company, and had
3 we used straight line on our tax returns, our tax bill
4 would have been just that much higher. We keep our
5 tax returns and our book accounts in balance, handle
6 them the same way.

7 MRS. DAVIS: I see. Could you answer
8 the other question for me, about the appraised value of
9 plant and equipment?

10 MR. MAXEY: The insurable value of
11 our plants, which does not include the land and the
12 foundation, is slightly over \$100,000,000.

13 MRS. DAVIS: Well, while I am talking
14 to you anyhow, is there a restriction as to stock
15 dividends as there is a restriction as to cash dividends
16 under indenture?

17 MR. MAXEY: There are no restrictions
18 in that respect.

19 MRS. DAVIS: I guess that's all for
20 right now.

21 CHAIRMAN JOYCE: The motion has been made
22 that Ernst & Ernst act as auditors for the Company. It
23 has been seconded. All those in favor, signify by saying,
24 "Aye." Contrary? Carried.

25 I would like to announce at this time that any

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1 stockholders who have not turned in their proxies may
2 obtain ballots at the inspectors' table at the center
3 of the room and that the inspectors will then canvass
4 the votes.

5 The next item on our agenda is my report.
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GLD003293

1 At this point in our meeting, it is customary
2 for me to report on a particular phase of our activities
3 which might be of interest to you. . . In thinking about
4 a subject for today, I felt it would be worthwhile to
5 review a number of important events which have taken
6 place over the past several years. . . It has been my
7 experience that in the hustle and bustle of everyday
8 living our human tendency is to forget or overlook
9 events that have transpired in the past, but which
10 have an important bearing on the future.

11 About eight years ago a few of my younger
12 associates and I began to take a searching look at the
13 then existing structure of The Glidden Company and its
14 adequacy for the future. . . During our initial study, we
15 found that a number of operations, while profitable,
16 required an abnormally large investment in receivables,
17 inventory and manufacturing facilities to produce that
18 profit.

19 Recognizing that we had limited funds available
20 for expansion, and that we could obtain more funds only
21 as we produced additional profit, we committed ourselves
22 to getting the most out of the over-all capital entrusted
23 to us. . . We set as a goal on all company operations,
24 individually and collectively, a return of at least
25 20 percent profit before taxes on the money invested in

1 these operations. A return of this magnitude would
2 permit a reasonable level of dividends and still
3 provide adequate funds for reinvestment to meet the
4 company's growth needs.

5 We started out by objectively analyzing each
6 of the operations which were not producing the minimum
7 return. First, we had to find out why. Was it
8 inadequate management? Was it a poor plant location
9 or inefficient production facilities? Did the products
10 still have an economic justification or had they become
11 obsolete? Was it insufficient distribution?

12 Once the problem was pinpointed, we asked
13 two further questions. Can the operation be brought
14 up to our minimum standards by making the necessary
15 changes? And does the operation fit into our long-
16 range objectives? If the answers were in the affirma-
17 tive, we have gone ahead and made the changes. Other-
18 wise, we have either sold or abandoned the operation,
19 as we simply cannot afford to have our people and money
20 tied up in investments which are not producing an
21 adequate return.

22 This program has cut across all areas of our
23 business. In the Paint Division we have added 82
24 branches in the last four years to obtain better
25 distribution of consumer products. We have added plants

1 at Atlanta, Montreal, Los Angeles, Portland, and Tulsa,
2 and have expanded and modernized our major plants at
3 Cleveland and Reading. We have instituted an aggressive
4 product development program which has resulted in such
5 products as Spred Satin, Spred Glide-On, new industrial
6 coatings and resins.

7 Our Durkee Famous Foods Division has undergone
8 some of the most significant changes. Through a
9 virorous upgrading program, we have concentrated on
10 specialized products -- such as shortenings for prepared
11 mixes, hard fats for confection coatings and oils for
12 margarine -- and on specialized markets such as the
13 retail bakery trade. In 1952, our copra processing plant
14 at Portland, Oregon, was abandoned due to increasing
15 competition from overseas sources, and in 1954, our
16 cheese business was discontinued.

17 The major portion of our table margarine and
18 salad products was sold in 1957 because of low return on
19 investment and to permit us to concentrate on the further
20 development of our bulk margarine oil business. In the
21 same year, we closed down our edible oil processing
22 plant at Elmhurst, Long Island, which was uneconomical
23 to operate as a result of poor location. We have since
24 been profitably serving the Eastern markets out of our
25 expanded plants at Louisville and Chicago.

1 Last year, we completed a new coconut and
2 spice plant at Bethlehem, Pennsylvania, to provide
3 modern, efficient production facilities for these
4 products. Throughout the period during which these
5 changes were taking place, both the bulk and consumer
6 products sales organizations were realigned for more
7 effective market coverage.

8 Our Chemicals-Pigments-Metals Division bears
9 little resemblance to its old self. Our first
10 disposition occurred in 1951 when we sold our "type
11 metal" business to concentrate on the growing field of
12 powder metallurgy at the Hammond, Indiana, plant.
13 What was once a loss operation has now become one of our
14 most profitable operations. In 1954, we sold our
15 plant at Oakland, California, which produced lithopone
16 -- a pigment largely replaced by titanium dioxide.

17 Also, in 1954, construction was begun on a
18 \$24,000,000 titanium dioxide pigment plant at Baltimore.
19 Our original plant, called the St. Helena Works, was
20 over 20 years old. There was no room for expansion,
21 and costly improvements were required to bring it up to
22 current technological standards. The new plant was
23 virtually completed in July, and has about twice the
24 productive capacity of the St. Helena Works, which was
25 closed down and abandoned this past year. With the

new plant we not only have additional capacity,
but also have greatly improved our production efficiency.

Earlier this year, the white lead business at
Scranton, Pennsylvania, was sold as the demand for this
product was insufficient to justify our being active
in this field.

The Organic Chemical Division has also under-
gone a complete transition within the past eight years.
Once entirely a producer of naval stores -- turpentine,
rosin and related products -- the division's products
have now been replaced by terpene chemicals, synthetic
resins and tall oil products. Throughout recent years,
we have gradually expanded our terpene chemical
activities as new products and processes have been
developed by our research staff. Right now we are con-
structing a \$2,000,000 plant at Jacksonville to produce
synthetic laevo-menthol for the flavoring field. Last
year we completed a \$3,400,000 tall oil plant which
marked our entry into this relatively new group of
industrial chemicals.

The Chemurgy Division has been eliminated
entirely. Beginning in 1954, we disposed of our mixed
feed business at Indianapolis. In this case, we were
too small to be successful, and the projected benefits
of expansion did not appear sufficiently attractive to

1 justify investing additional money in this business.

2 In 1956, we closed down and abandoned a soybean and
3 flaxseed processing plant in California, which had
4 become a marginal operation. Most recently, the
5 remaining major portion of this division's business was
6 sold to the Central Soya Company, Inc., as explained in
7 our latest annual report.

8 Up to this point, I have outlined a series of
9 individual actions within our divisional operations.
10 I would now like to point out the over-all effect of
11 these moves.

12 The operations which we have sold or discontinued
13 produced an annual sales volume of approximately \$61,000,000.
14 However, the profit before taxes from these operations
15 was less than \$1,000,000 and required a total investment
16 of about \$42,000,000. The investment released either
17 already has or will be used to build up our more
18 profitable activities.

19 In the five years since 1954, when our program
20 actively got underway, we have invested almost \$40,000,000
21 in new plant and equipment for our present business.
22 In this same period, it has only been necessary to
23 increase working capital \$6,000,000 as a result of
24 diverting assets from low-profit operations into higher
25 profit fields.

Initially, a major portion of this expansion program was financed by bank loans which were due in the early 1960's. Last month, however, these borrowings were replaced with \$30,000,000 of 4-3/4 percent Sinking Fund Debentures, due in 1983. This will permit us to use the cash to be generated from operations and from the Chemurgy disposition for further company expansion rather than for the immediate repayment of debt.

Never in my long-time association with The Glidden Company have we enjoyed such a sound financial position -- a position which will permit us to take advantage of future growth opportunities either through acquisition or internal development.

Having obtained a strong financial structure, we have, at the same time, been building a strong organization, for we are completely dependent upon people to carry us forward. I think it is interesting to note that of the thirteen men in top management posts today, only three of us -- Mr. Maxey, Mr. Duncan and myself -- held comparable positions back in 1950. In the intervening years, through retirements and other changes, a new management group has gradually been developed.

In turn, this group has been attempting to

1 create a depth of manpower and to fill in previously
2 existing weak spots. Within the past five years our
3 headquarters staff has been increased 27 percent,
4 stemming from the addition of key planning, supervisory
5 and control functions.

6 Among the many additions made have been:

7 1. A long-range planning group to
8 critically analyze present products and profits, study
9 avenues of future research, and to investigate new
10 fields of activity.

11 2. Centralized research management to
12 correlate individual unit research and institute
13 over-all company research.

14 3. A centralized engineering department
15 to plan and supervise new plant construction and to
16 study, improve and modernize existing plants.

17 4. New financial analyses and controls
18 to provide the information necessary for more effective
19 management action.

20 5. Broader marketing activities for better
21 direction and control of our over-all selling and
22 distribution efforts.

23 A similar expansion of personnel and their
24 activities has taken place in our field operations.

25 Since 1954 our sales force has been increased 42 percent

1 and now numbers over 1,300 people who are directly
2 engaged in selling activities. The efforts of this
3 group were in large part responsible for the excellent
4 recovery in sales and earnings experienced since last
5 winter.

6 In the eight years since 1950, sales of our
7 present four divisions have increased from \$155,000,000
8 to \$185,000,000. This has been accomplished in spite
9 of the fact that during this period we discontinued
10 operations within these divisions which had sales in
11 excess of \$21,000,000.

12 In the face of substantially higher
13 depreciation charges plus non-recurring start-up and
14 shut-down expenses, the gross profit of our remaining
15 four divisions has been increased from 32.5 million
16 dollars in 1950 to 44.5 million dollars in 1958 and
17 our gross profit margin has gone from 21 percent to 24
18 percent.

19 These improvements are yet to be reflected
20 on the net income line which, of course, is of most
21 interest to you. Higher selling and administrative
22 expenses, created by the addition of sales, research and
23 management personnel, have virtually offset the gains
24 in gross profit. These people, however, have been
25 added to provide further gains in sales and gross profit,

1 and this I am confident they eventually will do.

2 I think you will agree that The Glidden
3 Company has undergone some rather significant changes
4 in the past eight years -- changes which were designed
5 to help us reach the profit goals set in 1950. We
6 are still a good distance away from these goals, and
7 they will not necessarily be easy to reach, but for the
8 first time in this period, the path is clear so that all
9 our resources can now be devoted to major profit
10 improvement.

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1 Before proceeding with any questions you may
2 have concerning our company, I would like at this time
3 to request a report by the inspectors on the balloting.

4 MR. R. K. DUTTON: Mr. Chairman,
5 the Inspectors of Election wish to report that of the
6 2,299,720 shares of common stock of the company
7 entitled to vote at this meeting 1,848,464 shares are
8 present at the meeting either in person or by proxy.

9 These shares represent 80.38 percent of the
10 total shares at the time of the vote.

11 With respect to the election of Directors,
12 the inspectors report that each of the Directors
13 nominated received the affirmative vote of 1,848,209
14 shares of the common stock of the Company.

15 The inspectors also report that there were
16 1,849,032 shares in favor of the resolution approving
17 the designation of Ernst & Ernst. 6,532 shares were
18 voted against the resolution.

19 Mr. Chairman, the inspectors' final certificate
20 will be attached to the minutes of the meeting.

21 CHAIRMAN JOYCE: Thank you, Mr.
22 Dutton.

23 I therefore announce the election of the
24 Directors and the approval of the resolution appointing
25 the auditors.

GLD003304

1 Now, before going on to the question period,
2 I would like to make a couple of comments.

3 This year we have received a number of unusually
4 fine comments on our annual report, comments on the
5 report itself and also comments complimenting the
6 progress of the Company during the past year. I am
7 happy to say that we did not receive any adverse comments
8 about the Company from anyone.

9 Ladies and gentlemen, the meeting is now
10 open for questions.

11 Mr. Gilbert.

12 MR. LEWIS D. GILBERT: Before coming to the
13 questions, there is one other point that I would like to
14 bring up.

15 In the course of the year stockholders send me
16 from all over the country clippings about companies
17 where we are mutual owners, and during the course of the
18 year I received two which concerned Glidden, and I want
19 to congratulate you in both cases.

20 I think we are extremely fortunate in having
21 Mr. Gordon Sutton in our industrial relations. He has
22 courage, he has ability, and he knows how to make
23 friends from all places where they count.

24 The second point that I want to comment on is
25 in regard to Mr. L. W. Lawson in Canada, the article

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1 which I saw in the Financial Post of November 15th,
2 where he says, "We are setting up a program in Canada to
3 educate businessmen," shows that he, too, knows his
4 business and he is going to be successful in Canada and
5 help Glidden stockholders.

6 And this is the kind of teamwork which you
7 have referred to in your message which is building up a
8 great company in Glidden.

9 CHAIRMAN JOYCE: Thank you.

10 MR. GILBERT: Now, so much, Mr.
11 President, for the comments of that nature.

12 I now have a few questions which I would like
13 you to answer us about.

14 The report is excellent, as always, and you
15 know, as I said last night before the Treasurers' Club,
16 this is a model for American industry, because it tells
17 us the things we want to know and we only have to
18 supplement by asking the other points, as Mrs. Davis
19 and I have done today.

20 Among the things which we did during the year
21 and the annual report notes, we acquired part of the
22 General Paint business.

23 Now, I happen to be a General Paint stock-
24 holder and it was always a very poor business. I mean
25 they never could make money. Why do you think that we

4
1 can make money where they couldn't make money?

2 (Laughter.)

3 CHAIRMAN JOYCE: Well, Mr. Gilbert,
4 that's a good question and I'd be glad to answer it.

5 Number 1, they had a number of branches in
6 various desirable locations. You are well acquainted
7 with our own branch program. We are expanding our
8 branches.

9 Secondly, in spite of the vicissitudes of
10 General Paint, down through the years they had a fine
11 reputation for quality paint. Many of their people
12 throughout the organization were very capable people.
13 We have taken all those capable people in our Company.
14 By combining General Paint activities with our activities
15 we have a joint operation where we carry the overhead
16 over these two sales sources, and already I am happy
17 to tell you that from its very inception we have made
18 money on General Paint every month since we have had
19 it and it's getting better as time goes on.

20 MR. GILBERT: Thank you.

21 Which raises another point which was raised
22 to me last night. There seems to be an impression that
23 we continue to lose money on the titaneum and I don't
24 think that's correct on that new plant.

25 Will you comment a little bit on that?

1 CHAIRMAN JOYCE: Yes, that is not
2 correct. We have made money on titaneum regularly.

3 I'd like to ask our Controller, Mr. Warner,
4 to comment on that.

5 Mr. Warner, could you give us a few comments
6 on that?

7 MR. G. S. WARNER: Yes, Mr. Gilbert
8 brought it up last night and I did do a little checking
9 on it. The last time we ever lost money on titaneum,
10 Mr. Joyce, was 1945.

11 And I think, Mr. Gilbert, it may have been
12 from the way we presented the abandonment loss in our
13 annual report that might have given that impression,
14 but if we assign that abandonment loss to titaneum,
15 it still made a good amount of money.

16 MR. GILBERT: Thank you.

17 Will you say a little more about current
18 business, Mr. Joyce?

19 CHAIRMAN JOYCE: Yes, I'd be happy
20 to.

21 Current business is very good. We have not
22 as yet received our first quarter figures, but they
23 will be very substantially ahead of the first quarter
24 last year, and the outlook in all of our divisions is
25 excellent.

GLD003308

1 I asked each of our operating vice presidents
2 and our staff people, Mr. Gilbert, to give me a little
3 prognostication for the months ahead at the time of our
4 last Directors' meeting, and I received those yesterday,
5 and without exception they look for much improved
6 performance over last year.

7 MR. GILBERT: Now, on Page 4 of the
8 annual report we are definitely told and given all the
9 information I think we need on the sale of the Chemurgy
10 and how we come out on that, but there is this paragraph,
11 "In January, we abandoned our destructive distillation
12 operations at Jacksonville, Florida, and in March we
13 disposed of our Scranton, Pennsylvania, white lead
14 operations." How did we come out on those two?

15 CHAIRMAN JOYCE: Is your question
16 how we came out financially on those things?

17 MR. GILBERT: Yes, sir.

18 CHAIRMAN JOYCE: Mr. Maxey, do you
19 want to answer those questions?

20 MR. B. W. MAXEY: Yes, I will, Mr.
21 Joyce.

22 Both of these operations were small and the
23 pre-tax loss on abandonment of the two operations in
24 total was less than \$40,000.

25 MR. GILBERT: And two other

1 questions and then I am finished.

2 There was no mention of our relationship with
3 Grace. How is that working out?

4 CHAIRMAN JOYCE: It's working out very
5 well. We are engaged, as you know, Mr. Gilbert, in
6 several joint ventures with Grace. We have had a little
7 difficulty with some of them in South America,
8 Colombia being one country where they had some political
9 upheavals, which has caused us to have a little realign-
10 ment of personnel and one thing and another, but
11 basically our relationships are very friendly. The
12 Grace Company are good customers of ours and the Paint
13 Division and other units of our Company and I think as
14 the years go on the relationship will become closer than
15 it is right now.

16 MR. GILBERT: Thank you.

17 And the last question, on Page 9, "Shortly
18 after the close of the fiscal year, we acquired R. C.
19 Pauli & Sons, a small, but prominent, bulk spice
20 processor on the West Coast."

21 Would you tell us a little more about how much
22 that cost, and so forth?

23 CHAIRMAN JOYCE: Mr. Maxey, you
24 have the figures on Pauli?

25 MR. MAXEY: Yes, the total Pauli

1 investment, what we took over and what we will have to
2 put in, will run in the neighborhood of \$200,000.

3 CHAIRMAN JOYCE: \$200,000.

4 MR. MAXEY: Very small as such.

5 MR. GILBERT: Thank you.

6 CHAIRMAN JOYCE: This gentleman had
7 a question back here.

8 MR. STANLEY MAYNARD: My name is Stanley
9 Maynard. I live in Cleveland. And if I might echo
10 the comments of Mr. Gilbert on your annual report as
11 being one of the best and I will leave it, but there
12 are three questions I would like to ask.

13 On Page 4, "Central also has an option to
14 purchase these properties on August 31, 1961, with
15 \$8,550,000, payable in cash."

16 Is that payable at one time or over a period
17 of years?

18 CHAIRMAN JOYCE: The final cash
19 payment?

20 MR. MAYNARD: Yes.

21 CHAIRMAN JOYCE: That's a one time.

22 MR. MAYNARD: One time? In
23 other words, Glidden in 1961 will get an extra
24 \$8,000,000 in cash?

25 CHAIRMAN JOYCE: If they exercise

9
1 their option.

2 MR. MAYNARD: On Page 5, under,
3 "Subsidiaries," it says, "We have continued to expand
4 the activities of Glidden International." What
5 countries does that involve?

6 CHAIRMAN JOYCE: Well, it involves
7 a great many countries. It involves a number in
8 South America. It involves England, France, Spain,
9 some in Africa, I believe, and it pretty much covers
10 the world. Japan, Australia.

11 MR. MAYNARD: Well, one reason
12 behind that question is a selfish one. I took a trip
13 around the world the early part of this year and I was
14 in many of those countries.

15 A third question, no mention is made -- no
16 particular mention is made of labor relations in the
17 annual report. Would you say they are in a satisfactory
18 status at this time?

19 CHAIRMAN JOYCE: I think our labor
20 relations are in a very satisfactory status. We have
21 about forty manufacturing plant operations. They are
22 all unionized. We have had very friendly and
23 cooperative experience with all of the labor.

24 MR. MAYNARD: Now, in your
25 comparison figures on Page 18 it shows the sales in

1 1951 were \$228,000,000. Now, the next seven years,
2 there was no year that equaled 1951. Do you think
3 that you have really climbed in the quarter and that
4 in 1959 sales will be substantially higher, not just a
5 little higher? It is unusual to go seven years
6 and still not be much higher.

7 CHAIRMAN JOYCE: Well, I have two
8 comments to make in answer to your question.

9 One is that, as we have often said, the sales
10 figures in our business aren't as indicative of progress
11 as they are in some other businesses, because a large
12 segment of our business is the bulk business of Durkee
13 Division where we make processing profit and it depends
14 on the price of the oils. That year domestic oils and
15 foreign oils were very high priced and our sales were
16 bigger.

17 I will say this, sir, that in our four remain-
18 ing divisions -- bear in mind we can now dispose of
19 Chemurgy and some others -- the four remaining divisions,
20 the sales outlook is very, very good for this year and
21 I think it will be substantially higher than last
22 year's figures.

23 MR. MAYNARD: Now, the last
24 question, recently in Ohio, the election on the Right-
25 to-Work Bill, over a million people voted in favor of

1 it. There were several other States where they had
2 the same election, so therefore maybe, oh, two million
3 people, we will say, voted in favor of the Right-to-
4 Work Bill.

5 Now, in the Cleveland News on Friday,
6 October 24th, in headlines, it says, "Glidden executive
7 against the Work Bill."

8 And farther down it says, "I am against the
9 darn fool thing," Weeks said in confirming a report that
10 a member of his department will oppose the anti-union
11 shop amendment at a forum next week."

12 The reason I bring up this question is that
13 there are a couple of million people who voted in favor
14 of the bill, and to be told that they were voting for a
15 darn fool thing, while they might possibly be darn
16 fools in voting for it, it is getting into a highly
17 controversial situation that could affect sales of The
18 Glidden Company.

19 My question is this: Is a decision to
20 oppose or be in favor of a controversial thing such as
21 that left up to the individual executive or is it passed
22 by a committee?

23 CHAIRMAN JOYCE: I would like to
24 comment on that, sir. We have a firm policy in the
25 Company that our company as a company cannot take

1 positions on controversial issues. As you point out,
2 we have three groups to think about -- our stockholders
3 are one, our customers are another, our employees are a
4 third -- and you are not always going to get unanimity
5 of opinion. We do, however, defend the right of any
6 individual in this Company to say what he feels on any
7 subject.

8 Now, Mr. Gilbert referred to Mr. Sutton's
9 remarks, and he was opposed to that amendment, and as
10 an individual he didn't speak for The Glidden Company.

11 Now, Mr. Weeks tells me that quote that was
12 made, he didn't say, "a darn fool thing." He didn't
13 say that. He was misquoted on the thing.

14 I might say to you, sir, that after that
15 happened we did have some comment that you might be
16 interested in knowing. There was as much favorable
17 comment about it as unfavorable.

18 But I have cautioned all members of our Board
19 and all officers to be very careful about what they
20 say on any issues of that kind for fear they might be
21 misconstrued or might be construed as being a company
22 viewpoint.

23 Does that answer your question?

24 MR. MAYNARD: Yes. I am very
25 glad to hear you say that, because when I read about

13
1 The Glidden Company, even though misquoted, I thought
2 it was bad company policy.

3 MR. GILBERT: I'd like to get
4 into that act, because I disagree with my friend over
5 here on this particular point, and I would like to read
6 the comment in The Cleveland Press, because I think it
7 brings up this thing very, very well, and I think the
8 majority of the State of Ohio felt exactly the same way.

9 Mr. Sutton said his views against the
10 amendment were his own and that The Glidden Company
11 itself had not taken a formal stand on the issue, and
12 what Mr. Sutton said was, "I may be the first to speak
13 out this way, but I know of many others in management
14 positions who feel the Right-to-Work amendment would be
15 bad for this State. The issue in this State has come
16 to be a battle between union and management. It is
17 unfortunate that it has become a political issue with
18 both sides playing on emotions."

19 The point that I am bringing out is that one
20 of the things which has weakened the United States in
21 its global battle today is there has been a tendency to
22 too much conformism, and I am delighted to see a little
23 individual initiative, speaking as an individual.

24 And on another issue, you will recall, during
25 the year our Chairman himself stated his personal views,

1 and they happened to coincide with mine, on the foreign
2 situation and I congratulated him on those views,
3 which were expressed in The Wall Street Journal, and
4 that was not on this issue but an entirely different
5 one.

6 CHAIRMAN JOYCE: Thank you, sir.

7 Mrs. Davis.

8 MRS. DAVIS: Mr. Chairman,
9 Evelyn Davis.

10 I have a few more questions here. On Page 7
11 of the annual report of our Paint Division, I want to
12 congratulate them for having these "Improved gross
13 margins, resulting from manufacturing efficiencies and
14 marketing emphasis on more profitable products,
15 offset higher selling expenses and produced significant
16 increase in profits."

17 In other words, it is possible that higher
18 selling expenses can be offset by other things, and I
19 wish the other divisions would have the same thing, and
20 it's very important because it is practically a
21 universal law of security analysis that those units
22 in an industry or in a company that have the highest
23 margin of profits can best withstand recession, and
24 that is what is most important, too, to the shareholders.
25 It's not net sales but the margin of profit,, the

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15
1 percentage.

2 CHAIRMAN JOYCE:

That is right.

3 MRS. DAVIS:

4 What are these other
investments on Page 20?

5 CHAIRMAN JOYCE:

6 Mr. Maxey, would
you comment on that?

7 MR. MAXEY:

8 Your other current
accounts, advances, and investments?

9 MRS. DAVIS:

I can't hear you.

10 MR. MAXEY:

11 I say you are
questioning the other current accounts, advances, and --

12 MRS. DAVIS:

13 No, which are the other
investments?

14 MR. GILBERT:

Other investments.

15 CHAIRMAN JOYCE:

16 What are the other
investments?

17 MR. MAXEY:

18 That's what I say.
You are questioning the \$1,900,000?

19 MRS. DAVIS:

No, what they are.

20 MR. MAXEY:

Yes, what they are.

21 MRS. DAVIS:

Yes.

22 MR. MAXEY:

23 Yes, those are
primarily advances to our various operating units as
24 such. There are no outside investments, that is, in
25 other companies other than those under our control in

16

1 that particular category. We have no investments in
2 other companies.

3 MRS. DAVIS: But they are for
4 subsidiaries.

5 MR. MAXEY: Yes.

6 MR. DAVIS: Well, that sort
7 of correlates with one of my earlier questions, if
8 the parent company was the guarantor of any issues of
9 subsidiaries. It is, then?

10 First he says they are not and now you say
11 they are.

12 MR. MAXEY: We are not guarantors
13 of issues. You asked your other question if we were
14 guarantors of senior securities;

15 MRS. DAVIS: Well, these are not
16 senior securities?

17 MR. MAXEY: We are holders of
18 investments in these subsidiaries as such in the form
19 of equity or advances to them, but we are not guarantors
20 of senior securities of these subsidiaries.

21 MRS. DAVIS: I see.

22 MR. MAXEY: The subsidiaries
23 have no senior securities.

24 MRS. DAVIS: All right.

25 Then I would like to know which ones are

1 creditor banks.
2 MR. MAXEY: Pardon?
3 MRS. DAVIS: Are creditor banks.
4 Which ones are they?

5 CHAIRMAN JOYCE: What are the
6 creditor banks?

7 MRS. DAVIS: For instance, the
8 Chase Manhattan Company, The Cleveland Trust Company.

9 MR. MAXEY: Our chief banking
10 connections are the Chase, the First National City of
11 Chicago, the First National City of New York, the
12 Continental Illinois of Chicago, the First National of
13 Chicago, and your Cleveland banks.

14 MRS. DAVIS: We owe money to all
15 of them?

16 MR. MAXEY: Right.

17 MRS. DAVIS: O.K.

18 And then for my last question, whom do we
19 pay royalties to?

20 CHAIRMAN JOYCE: Who do we what?

21 MRS. DAVIS: Who do we pay
22 royalties to?

23 CHAIRMAN JOYCE: Oh, we pay royalties
24 to a number of different people, different organizations,
25 various of our divisions. Of course, we have a lot of

1 people who pay royalties to us, too, and I think we can
2 safely say we get more royalties than we pay out in
3 royalties. We receive more royalties.

4 But each of our divisions, Mrs. Davis, may
5 have -- well, for example, in our Food Division they may
6 have a product, an intermediate product, they might want
7 to buy that is manufactured and patented by some other
8 person and they would be willing to pay a royalty to use
9 that product. But there are a whole lot of them,
10 maybe 15, 20, 25, something like that.

11 MRS. DAVIS: I have one more
12 comment to make. I wish you would stress through the
13 financial services our very high cash flow earnings.
14 In other words, the general public will become more
15 aware of our stock, because it's still statistically
16 cheap compared to other capital stocks.

17 CHAIRMAN JOYCE: Thank you very much.

18 MRS. DAVIS: I bought it at the
19 big price of 30, but it's still a good buy. (Laughter.)

20 CHAIRMAN JOYCE: Are there any other
21 questions?

22 Well, ladies and gentlemen, it's been very
23 nice to have you here with us today, and I have enjoyed
24 seeing you all and getting a chance to know some of the
25 people, shake hands with some of the people I haven't

9
1 met before, and I hope to see you all around here next
2 year at this same time.

3 (Applause.)

4 CHAIRMAN JOYCE: Thank you very
5 much.

6 The Chair is open for a motion for adjournment.

7 MR. M. A. DUPONT: Mr. Chairman, I
8 would like to make a motion that this meeting be
9 adjourned.

10 CHAIRMAN JOYCE: Second?

11 MR. R. E. DORFMEYER: Mr. Chairman, I will
12 second it.

13 CHAIRMAN JOYCE: All in favor
14 signify by saying, "Aye." Contrary?

15 The meeting stands adjourned.
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