

ANNUAL MEETING OF THE SHAREHOLDERS
OF THE GLIDDEN COMPANY, HELD AT THE EUCLID
ROOM, STATLER-HILTON HOTEL, CLEVELAND, OHIO,
ON THURSDAY, DECEMBER 10, 1959.

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REILENDER, DONLEY & FERRIS
SHORTHAND AND STENOGRAPHIC REPORTERS
1286 UNION COMMERCE BLDG. • CLEVELAND 14, OHIO
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Euclid Room, Statler-Hilton Hotel,
Cleveland, Ohio,
Thursday, December 10, 1959,
at 10:00 a.m.

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

First I would like to say how pleased I am to see
the turnout today. We ordered a better day than we got
last year and the year before.

First I would like to announce that the Board
of Directors, at its meeting held on November 24, 1959,
appointed Messrs. R. K. Dutton, R. A. Augsburger, and
M. W. Peters as Inspectors of Election. Immediately
prior to the meeting, the Inspectors reported that
proxies had been received for 1,852,453 shares of stock,
which amounts to 80.22 percent, and constitutes a quorum.
A final report on all shares represented in person or by
proxies will be made later in the meeting, after the
balloting.

All Directors of the Company are present.

Representatives of the Company's auditors are
also present.

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

MR. R. D. HORNER: Mr. Chairman, I wish to
present a copy of the notice of the meeting, proxies,

1 and proxy statement, and my affidavit that these materials
2 were mailed to shareholders entitled to notice of the
3 meeting 30 days' prior to this meeting.

4 I also want to present a certificate that as of
5 the record date there were no treasury shares, and to
6 present a balance sheet, and operating statement, as
7 required by Ohio law.

8 CHAIRMAN JOYCE: The secretary will now
9 read the minutes of the previous annual meeting of the
10 stockholders which was held December 11, 19th8, unless
11 there is a motion to dispense with the reading.

12 MR. C. E. CARNEY: Mr. Chairman, I move
13 that we dispense with the reading of the minutes.

14 MR. R. F. GROVES: Mr. Chairman, I second
15 the motion.

16 CHAIRMAN JOYCE: It has been moved and
17 seconded that we dispense with the reading of the minutes.
18 All in favor signify by saying, "Aye." Contrary? It
19 is so ordered.

20 In accordance with the stockholders' request,
21 the cumulative voting method will be used pursuant to
22 Ohio law for the election of Directors.

23 Your Board of Directors recommend the fixing of
24 the number of Directors at 12, and requests that the
25 resolution of the Board be presented.

1 MR. HORNER: Mr. Chairman, I wish to
2 propose the following resolution:

3 "Resolved, that the Board of Directors of this
4 Company consist of 12 members."

5 I move its adoption.

6 MR. STETZELBERGER: I second the motion.

7 CHAIRMAN JOYCE: It is moved and seconded
8 that the number of the Board of Directors be fixed at 12.
9 All those in favor signify by saying, "Aye." Contrary?
10 Carried.

11 The next order of business is the nomination
12 of the 12 Directors.

13 MR. R. E. DORFMEYER: Mr. Chairman, I wish
14 to nominate the following persons for election as
15 Directors of the Company:

16 Dwight P. Joyce,
17 Alexander D. Duncan,
18 Beauford W. Maxey,
19 John H. Weeks,
20 Robert D. Horner,
21 William G. Phillips,
22 Willard C. Lighter,
23 Harvey L. Slaughter,
24 George M. Halsey,
25 W. David Stallcup,

1 George S. Warner, and
2 William P. Smith.

3 CHAIRMAN JOYCE: Is there a second to the
4 nominations?

5 MR. D. E. ERSKINE: Mr. Chairman, I second
6 the nominations.

7 CHAIRMAN JOYCE: The Chairman will
8 entertain a motion that the nominations be closed.

9 MR. J. C. COTTEE: Mr. Chairman, I move that
10 the nominations be closed.

11 MR. CARNEY: I second the motion.

12 CHAIRMAN JOYCE: The nominations are
13 closed.

14 The stockholders who have not turned in their
15 proxies may obtain ballots at the Inspectors' table at the
16 front of the room, and the Inspectors will then canvass
17 the vote.

18 MR. LEWIS E. GILBERT: Mr. Chairman, I just
19 have one question in regard to the election of the
20 Directors. Might I ask you how many Directors' meetings
21 were held during the year?

22 CHAIRMAN JOYCE: Twelve Director meetings
23 were held during the year.

24 MR. GILBERT: Thank you.

25 CHAIRMAN JOYCE: I am now going to intro-

duce the Directors to the stockholders present.

Beginning at my far right, Mr. George S. Warner is one of the newer members of our Board, having been elected in 1957. Mr. Warner, who has over 13 years of company service, was elected Assistant Controller in 1952 and Controller in 1953.

Next is Mr. George M. Halsey, who has had 27 years of service with our company. In 1947 he was made manager of the St. Helena titanium dioxide plant. In 1950 he was made Director of Manufacturing for Chemicals-Pigments-Metals Division. He was elected vice president of that division and a director of the company in 1956.

Next is Mr. Harvey L. Slaughter. Mr. Slaughter joined the Paint Division of our company 25 years ago and worked up to the position of Regional Director of our Eastern Region at Reading, Pennsylvania. He later moved over to the Food Division and was elected vice president of Durkee in 1953 and a director of the company in 1954.

Next is Mr. Willard C. Lighter, who has been with The Glidden Company for 7 years. Prior to joining us he had 18 years of service with Cargill, Inc. and held the position of Executive Vice President of their Falk & Co. Division when he left that firm. In 1953 he was elected a director and vice president of the Chemurgy Division.

1 In 1956 he was elected to the position of Executive
2 Vice President.

3 On his left is Mr. Alexander D. Duncan, who has
4 had 35 years with our company. He has been a director
5 and vice president of the Paint Division since 1947.

6 He also is responsible for Glidden's international
7 activities.

8 To my left is Mr. Robert D. Horner, who joined
9 Glidden 11 years ago. In 1949 he was elected assistant
10 secretary, in '51, secretary, and '53, a director. In
11 addition to his duties as secretary, Mr. Horner serves
12 as general counsel of the company, and heads up our Legal
13 Department.

14 Next is Mr. B. W. Maxey, who came with Glidden
15 19 years ago from the B. F. Goodrich Company. In 1948
16 he was elected controller. In 1950 he was elected a
17 director, and in 1953 he was elected vice president -
18 finance.

19 Next is Mr. William P. Smith, who was elected a
20 director last year. He is our only outside director at
21 the present time. He has practiced law in Washington,
22 D.C. since 1928, specializing in Federal taxation, trade,
23 and commerce. The experience gained from his wide
24 associations in government and industry have permitted him
25 to make many valuable contributions to our Board.

1 Next is Mr. John H. Weeks, who has been with our
2 company for 25 years. Mr. Weeks was appointed Director
3 of Personnel in 1959, elected a director of the company in
4 1952, and in 1955 he was elected vice president-personnel.

5 Next is Mr. W. G. Phillips, who has been with the
6 company for 12 years. In 1952 he was elected assistant
7 treasurer, and in 1953, treasurer and a director.

8 Next is Dr. W. D. Stallcup, who is just completing
9 his third year as a member of our board. He has been
10 associated with our Organic Chemical operations in Jackson-
11 ville for 17 years. He became general manager of that
12 division in 1948, and a vice president in 1957.

13 As for me, I have been with the company for 38
14 years. In 1927 I was elected a director, in 1940 elected
15 vice president in charge of the Paint Division, in 1947,
16 president, and in 1954, Chairman and President.

17 The next order of business will be the vote on the
18 proposed 1959 Stock Option Incentive Plan, and I request
19 a resolution be presented for its approval.

20 MR. HORNER: Mr. Chairman, I propose
21 the following Resolution:

22 "Resolved, that the 1959 Stock Option Incentive
23 Plan adopted by the Board of Directors on June 23, 1959,
24 subject to the authorization of said plan by the share-
25 holders of the Company, and subject also to the release

1 from preemptive rights of 100,000 authorized and unissued
2 shares of common stock, as provided by the Ohio General
3 Corporation law, be, and it is hereby authorized, adopted,
4 and approved, and further resolved that 100,000 shares
5 of authorized and unissued common stock of the company be,
6 and they are, hereby released from the pre-emptive rights
7 of offering or sale or the grant of options with respect
8 thereto under said 1959 Stock Option Incentive Plan."

9 I move its adoption.

10 MR. STETZELBERGER: I second the ^{Motion}~~adoption~~.

11 CHAIRMAN JOYCE: The motion has been
12 moved and seconded. Any stockholders who have not turned
13 in their proxies may obtain ballots at the Inspectors'
14 table at the front of the room, and the Inspectors will
15 then canvass the vote.

16 Mr. Gilbert?

17 MR. GILBERT: I arise, Mr. President,
18 to speak against the Option Plan which is before us today.

19 Very frankly, I have seen much worse option plans ✓
20 than this one, and I do think you are to be congratulated
21 for putting in the 100 percent protection instead of the
22 95 percent in the past one. I also like the age limit
23 which you have brought in, and I am glad that you, yourself,
24 are not participating in the Option Plan. ✓

25 These are all fine protections for the shareholders,

1 but we think that in option plans we should have two other
2 important protections, and that is we think that there
3 should be a definite restriction that the person who
4 exercises an option should be willing to hold it for a
5 very definite period of time after he has exercised it,
6 because prior to it he puts no money down. We have our
7 money down. It stays here, we take the risks. It is
8 a risk-free investment until it is exercised. He is
9 without such a restriction, perfectly free, after six
10 months after the exercise to dispose of it and take the
11 25 percent capital gains.

12 We think that The Glidden Company should follow
13 the policies of such companies as Lorillard, Twentieth
14 Century Fox, and G. W. Hamilton, which have definite two-
15 year holding clauses after exercised.

16 I was informed -- and I am not a stockholder in
17 Eaton, so I do not know if I am correct in this -- but I
18 am informed that the Eaton plan in Cleveland also has a
19 several years' clause after exercise.

20 In conclusion, I would like to comment, and show
21 you also why this whole question of options is such an
22 important one from the viewpoint of all shareholders, and
23 the country, too, and why we have to ask that there be
24 the maximum of protection, and why we are prepared to use
25 the proxy statement next year to request that these two

1 kinds of protection which we advocate go into any future
2 plans which the company may have -- I read here the
3 article by Mr. J. A. Livingstone in the Washington Post
4 and in the Philadelphia Bulletin, and which occasionally
5 appears in the Cleveland Plain Dealer, I understand. It
6 is syndicated throughout the country.

7 A stockholder was protesting against an option,
8 and Mr. Livingstone said, "The stockholders' letter reopens
9 the broad question of Stock Option. Whom do they
10 fundamentally help, the stockholders who will be enriched
11 by the encouragement they impart officers, or officers
12 who will be enriched by the risk-free capital gain profit?
13 A Stock Option is a preferred type of remuneration, insured
14 against the tax collector. It is reserved to corporation
15 officers and sometimes investment bankers. The average
16 worker, schoolteacher, government official, or college
17 professor" -- and I would also add, shareholder -- "doesn't
18 get stock options. He has to pay taxes on his income
19 according to his bracket of earnings."

20 And in the New York Times of yesterday -- and I
21 am reading from the Herald, but it was the same story --
22 the Dean of the Harvard Law School raised this entire
23 question before the Mills Committee at the present time, "Dr.
24 Irwin N. Griswold, Dean of the Harvard Law School, called
25 today for public disclosure of the tax benefits some

1 corporation executives are getting from a tax gimmick that
2 permits them to play heads I win, tails you lose, on the
3 stock market. This is a one-way lottery, which is under-
4 standably attractive to those who are favored by it,"
5 Dr. Griswold said.

6 And finally, on this general subject of Stock
7 Options, I call your attention to the very fine review
8 of them which appeared in the American Institute of
9 Management booklet of September 1959, called, "Stock
10 Option and Purchase Plans," and these are Mr. Martindale's
11 conclusions:

12 "The record of stock options is still harder to
13 determine. Some are more monuments to management
14 greed than examples of proper incentive compensation .
15 To be sure, option plans and rises in the price of stock
16 seem to go together, but which is cause and which effect
17 is not always apparent, but an option plan, tied as it is
18 to the overall welfare of the company, is in many ways
19 preferable to a bonus on sales. To summarize, any
20 management is well advised to study the possible applica-
21 tion of these plans to his own situation. There are few
22 inherent dangers and many potential advantages in them.
23 Used judiciously they promise to meet the end for which
24 they are intended, but they demand exceptional vigilance
25 on the part of the directorate, lest they be misused. In

1 this manner the trusteeship function of the Board is real,
2 urgent, and continuing,"and I would only add, this is
3 also the function of the shareholders in urging these
4 changes when we improve our future option plans.

5 CHAIRMAN JOYCE: You are certainly entitled
6 to your opinion. Any other comments on the Stock Option
7 Plan?

8 Mr. Barnes?

9 MR. BARNES: Ladies and gentlemen, I
10 am a small stockholder of The Glidden Company, and as such
11 I would like to put in my two bits also on this Stock
12 Option Plan.

13 It seems that we have an objection here from
14 Mr. Gilbert to the Stock Option Plan. He says in the
15 stock market it is a heads I win, tails you lose deal.
16 Well, I don't quite believe that.

17 Number 1, if I knew how in the stock market to
18 make a million dollars, I would do it myself, first, and
19 then I would tell everybody else how to do it, but I don't
20 think anybody knows how to do that. This is a risky
21 business. We all have risks.

22 Now, Number 2, we are stockholders of The Glidden
23 Company because we put our faith in The Glidden Company,
24 and we believe that Mr. Joyce and members of the Board,
25 and the officers and employees of this Company are doing

1 a good job for us, and we think they are going to continue
2 to do a good job for us, but we are not locked into Glidden
3 Company for the rest of our lives. We can turn around
4 tomorrow morning and sell our stocks if we don't like it,
5 so therefore I think that Mr. Gilbert's objection to the
6 Stock Option Plan is a little bit tough. I don't think
7 it is a bonafide objection, and one that we should put
8 too much credence into.

9 I believe in our Board of Directors we have here,
10 and I think they are going to look out for our welfare.
11 We have an incentive plan for them, and when you give a
12 man an incentive plan I like the thought that he is not
13 going to work just from 9:00 to 5:00 in the day, he is
14 going to work in the evening, too, and he is going to be
15 out trying to get more business for The Glidden Company.

16 Now, just look at your results this past year.
17 You have had a six percent increase in sales, but guess
18 what, you have got a fifty percent increase in net income.
19 Now, if this company can do that for the next few years,
20 boy, I sure want to stick with The Glidden Company, and I
21 urge you to vote your shares in favor of the Stock Option
22 Plan.

23 Thank you.

24 CHAIRMAN JOYCE:

Thank you very much.

25 MR. GILBERT:

Mr. Chairman, I have no

1 desire to belabor the point. I would simply like to
2 answer a few of the points. What the previous speaker
3 has forgotten is that options dilute equity and therefore
4 are a matter of very important concern to the shareholders,
5 and the question of voting for or against proposals which
6 are made by management or by shareholders have nothing to
7 do with confidence or lack of confidence in the general
8 ability of this management, to which I yield to none,
9 in running the affairs of The Glidden Company. There
10 are not any arguments. These are isolated matters of
11 philosophy and opinions, and no one can be 100 percent
12 sure that they are right or wrong.

13 MR. BARNES: Mr. Chairman, may I just
14 add one more thing here: I quite agree with you that
15 the Stock Option Plan does dilute equity, but I also
16 understand that the bull fellow thinks that the stock
17 market is going up, the bear thinks the stock market is
18 going down, but the hog, he doesn't get a thing. All
19 he gets is the losses. Now, I would rather not be a hog
20 and let the Board of Directors have their Stock Option
21 Plans. Thank you.

22 CHAIRMAN JOYCE: Any stockholders who have
23 not turned in their proxies may obtain ballots at the
24 Inspectors' table at the front of the room, and the
25 Inspectors will then canvass the vote.

CHAIRMAN JOYCE:

we are fortunate to
shareholders present.

I beg your par
attention to the fact tha
presentation. The next on
motion approving the action o.
employing Ernst & Ernst as audia
I request a resolution.

MR. HORNER:

resolution, Mr. Chairman:

"Resolved, that the designation
a firm of independent certified public acc
by the Board of Directors of this Company, a
for this Company, be and it is hereby approved," a.
its adoption.

Stalker
MR. ERSKINE:

motion
the resolution.

Mr. Chairman, I se

MR. GILBERT:

Mr. Chairman, I would

like now to ask a few questions of the auditors.

CHAIRMAN JOYCE:

Will the auditors please

rise and identify themselves.

MR. NEWMAN HALVORSON: I am Newman Halvorson,

a partner of Ernst & Ernst, and I have with me Mr.

Wilhelm, assistant manager of our firm, who is directly

1 in charge of the audit engagement, and has been for some
2 years past.

3 MR. GILBERT: I have three points to
4 put to the auditors, and these are some of the most
5 important things that we do at the annual meeting, is to
6 ask questions of our auditors and find out where we stand,
7 because these are our watchdogs during the year.

8 I read from today's New York Times -- I don't
9 know if you have seen the particular item -- "'Alexander L.
10 Guterma never refused to supply information to independent
11 auditors, but they never got all the information they
12 wanted,' one of them testified yesterday. The witness
13 was Firman H. Hawes of Ernst & Ernst, Certified Public
14 Accountants."

15 And then further down it quotes, "'Mr. Hawes
16 testified yesterday that Mr. Guterma usually replied to
17 requests for information by saying it was not ready.
18 On other occasions he directed subordinates to make it
19 available, but did not see to it that this was done,'
20 according to the witness. 'We just didn't get it,' he
21 asserted. He said he still had not received enough
22 information to certify the Jacobs 1958 annual report as
23 accurate. According to Mr. Hawes he never received
24 access to all the Jacobs home office books and records,
25 or the financial statements of his subsidiaries."

1 Might I ask you if you at any time have any
2 trouble in getting all the information you want promptly
3 and reasonably from this company?

4 MR. HALVORSON: We have never had any
5 denial or refusal to furnish any information requested.
6 There has never been any equivocation or delay in
7 offering us all of the assistance, all of the answers,
8 all of the information that we feel is required for our
9 purposes.

10 MR. GILBERT: Splendid. And the next
11 question that I would like to put to you -- and I read you
12 from the New York Evening News as of last April 16,
13 the following statement, and ask you if in your opinion
14 anything like this can happen here: "\$5,000,000 error
15 told. Inventory discrepancy at the Western Electric
16 Conny plant is revealed. Western Electric Company
17 discovered a discrepancy of about \$5,000,000 in its
18 inventories earlier this year. Most of the shortage was
19 at the huge Conny Works. That was revealed yesterday
20 at the annual meeting of American Tel. and Tel., which
21 owns more than 99 percent of Western Electric Company's
22 stock. Stockholder Lewis Gilbert, who had waged a
23 running fight for years for changes in the policies of
24 various companies, told the A. T. & T. meeting he had
25 been apprised of the inventory troubles at Conny

1 by an employee there. Gilbert asked Frederick R. Cappell,
2 A. T. & T. president, for more details. Cappell
3 acknowledged there had been an inventory discrepancy of
4 about that amount, but declared it was an inter-department
5 affair, involving paper work, and stressed it resulted in
6 no actual loss either to Western Electric or to A. T. & T.
7 'Maybe it was bad bookkeeping or maybe bad leadership,'
8 Cappell said, 'but it has been straightened out.'"

9 It was, and it took a lot of time and effort,
10 and I am simply curious as to whether you see any dangers
11 of a substantial situation like that coming in this
12 Company.

13 MR. HALVORSON: I do not believe that any
14 discrepancy of anything of that proportion could possibly
15 occur within The Glidden Company. Considering the controls
16 that we find it exercises over its inventories, considering
17 the audit tests that we have made every year in physical
18 observation at all major locations, and on a rotating
19 basis at minor locations, we have no concern about any
20 inventory discrepancy whatsoever.

21 MR. GILBERT: And the last question I
22 really put to you, because it is a responsibility of the
23 management, but I think that any time that whenever we ac-
24 quire in the future any companies, I trust that you will
25 always consult with our independent public accountants

1 before you do this. You have all been reading about the
2 H. L. Green situation, and that Board of Directors could
3 have avoided all the trouble in the first place had they
4 stopped, looked, and listened, because this was the
5 certificate of Olden & Company, which they absorbed:
6 "Our examination was made in accordance with generally
7 accepted auditing standards, and accordingly included such
8 tests of the accounting records and such other auditing
9 procedures that we considered necessary in the circum-
10 stances." Had they stopped there, there would have been
11 nothing to discuss, but they say, "Except we were not
12 present to observe procedures followed in determining
13 quantities of inventories as of January 31, 1956, or at
14 prior balance sheet dates, as to which we satisfied ourselves
15 by means of other auditing tests and procedures."

16 Obviously, the check test is the intelligent
17 one, and I trust, however, that before we take any other
18 companies at any time we have assurance from you we will
19 get a clean certificate.

20 CHAIRMAN JOYCE: You have that assurance,
21 and I would like Mr. Maxey just to comment briefly
22 to the extent we go in that connection.

23 MR. MAXEY: I can assure Mr. Gilbert
24 that on any situation where we consider a take-over, and
25 its size justifies, we have E. & E. work with us, and we

1 will have our own people go through it with a complete
2 physical inventory, with the possible subject, so I don't
3 think we need to worry about values whatsoever on that
4 score.

5 CHAIRMAN JOYCE: Any other comments about
6 the motion?

7 It has been moved and seconded, and any stock-
8 holders who have not turned in their proxies may obtain
9 ballots at the Inspectors' table at the front of the
10 room, and the Inspectors will then canvass the vote.
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We are fortunate in having two of our best-known shareholders present at the meeting today. Both of them happen to be small shareholders, but the number of shares they hold is irrelevant. What is important is that they take an active interest in the affairs of their company, and they have assumed the responsibilities they have as shareholders.

You have already heard from one of them, Mr. Lewis Gilbert, and knowing Mr. Gilbert as I do, I imagine we will hear more from him later on in the meeting. At this time, however, I would like to introduce our other distinguished shareholder, Master John Engstrom.

As you all know, John was featured in our 1959 Annual Report, which gave him an opportunity to see many of the things that are going on in our company. Because this was an experience most shareholders don't have, we have asked John to give you a brief account of his observations.

John, will you step up here and do that for us?

MR. JOHN ENGSTROM: Thank you very much, Mr. Joyce, fellow stockholders.

Last year I was looking forward to the 1958 stockholders' meeting, but I happened to have a very important Biology test on that day. In our school, a fellow just doesn't walk out on a Biology test. So I

1 didn't get to the meeting. I had looked over the '57 and
2 '58 reports, and as any stockholder would, I had wondered
3 who all the people were and what they did, what new products
4 the company was working on, and how the company stood
5 financially.

6 Early this past summer, I was told that I would
7 have an opportunity to hear the answers to my questions
8 before the 1959 stockholders' meeting. I would have an
9 opportunity to meet some of the Glidden people, and to visit
10 plants and see manufacturing processes.

11 The first place we visited was in the Elmwood
12 Paint Lab, on the outskirts of Cleveland. I was intro-
13 duced to various men, each of whom gave me an explanation
14 and tour of his special project. They were all very proud
15 of their projects, and enjoyed showing them off as much as
16 I enjoyed seeing them. One of the things I saw was a
17 "blister box". The sides of this small box are actually
18 paint test panels, which are subjected to extreme conditions
19 of heat and moisture, to test for paint blistering.

20 Some of the other projects, dealing with the
21 general wearing qualities of painted surfaces, were racks of
22 painted panels, set up outdoors, where they are exposed to
23 all sorts of weather conditions, where they are checked
24 periodically for peeling and fading. Another means of
25 testing was the use of strips painted on the floors of busy

1 hallways.

2 I also got a sneak peek at some of the new paints
3 that are being developed in the labs. They showed me, too,
4 some of the experiments being done on our line of tall oil
5 resins. Seeing all these experiments made me realize that
6 the company is working very hard to keep the quality of its
7 products up to the highest possible level. I don't see
8 how any paint can pass the severe tests dreamed up by the
9 Elmwood Lab.

10 I enjoyed seeing all of the activities in the
11 paint lab, and one of the most impressive, at least to me,
12 was the making of plastic trays out of a new Glidden polymer
13 resin. A batch of the polymer is mixed, and then two
14 layers of half-inch thick fiberglass filaments in sheet
15 form are placed on top of one another. The polymer is
16 daubed on and heat-pressed into the form of a tray. The
17 press that they use in the lab is the same that would be
18 used in a full-scale manufacturing plant. These trays are
19 tested for strength and other wearing qualities to show how
20 good the resin is. I was allowed to keep two of the trays
21 that I helped make. They're strong, nice-looking, make
22 wonderful flying saucers, and incidentally, they're good
23 study aids. Here's how I use mine: After I get in bed, I
24 arrange about three pillows behind my back for comfort, and
25 then place the tray in front of me, to write on, or to rest

1 a book on while I read.

2 I asked some of the research men at the Lab where
3 their ideas came from. They told me that they surveyed
4 the needs in certain fields where Glidden was well-equipped
5 to solve the problems and manufacture the resulting new
6 products. Then, too, they told me, there are ideas that
7 can be traced to a certain kind of creative genius, but
8 this, they said, only comes after long years of work in the
9 field. Another research worker told me that to be suc-
10 cessful, a research man has to have the wisdom of a prophet,
11 the courage of an underfed wart-hog, and the oratory of a
12 Cicero.

13 From the Elmwood Lab, we went to the Cleveland
14 paint plant. I was fascinated there by the ingenious as-
15 sembly line, where paint is poured in the cans, the lids
16 are pressed on, the labels are glued on, the shipping boxes
17 are glued together, the cans are put in the boxes, and the
18 boxes are sealed, all done in one continuous automatic
19 operation.

20 We spent the better part of a day at the Adrian
21 Joyce Works, where titanium dioxide is made. After donning
22 white protective coats and helmets, we followed the whole
23 process, step-by-step -- attack tanks, treating furnaces,
24 vats where the fluid is concentrated, and dryers of the
25 finished white powder. The plant covers acres and acres of

1 ground. Just to give you an idea of the size of the plant,
2 our tour took the whole morning and half of the afternoon,
3 and we still didn't get to see all of the by-product and re-
4 covery processes.

5 The plant is like a huge chemistry set, with an
6 enormous beaker of black liquid here, a huge Bunsen burner
7 there, and all on a gigantic scale. I don't begin to
8 understand the chemical process in making titanium dioxide,
9 but I did have a lot of interesting experiences while I was
10 being shown the plant, such as riding on a man-lift, seeing
11 the chemical reaction going on in some of the big tanks, and
12 climbing way, way up on a tower, where the view was terrific.

13 I learned that titanium dioxide is important in
14 the paper industry as well as in the paint industry. For
15 example, a ton of ordinary paperboard contains about five
16 pounds of titanium dioxide. And all of this is added to
17 only the small portion of paper pulp that makes up the
18 outside layer of the paperboard. It would, of course, be
19 very wasteful to add the titanium dioxide to the entire
20 paperboard, as no one prints on the inside anyhow.

21 Next morning we saw the Durkee plant at Bethlehem,
22 Pennsylvania, where coconut and spices are processed. The
23 main attraction was the RAMAC, an IBM electronic computer,
24 which can record invoices and shipment data at a capacity of
25 way up in the millions. It is hard to calculate the

1 savings contributed by the RAMAC, but the savings are sub-
2 stantial, and there are other advantages, too, such as
3 eliminating delays in getting out sales data and cost
4 figures, and getting more accurate figures.

5 Next we toured the Durkee factory itself. Up-
6 stairs, I saw the huge bins where spices are stored until
7 ready to process. Each bin has a chute leading to the
8 apparatus that does whatever is to be done to the spice --
9 removing extraneous materials, cleaning, toasting, or
10 grinding. The prepared spices are then fed into packaging
11 machines. I also saw the mills and ovens where coconut is
12 prepared.

13 This plant has a country kitchen atmosphere, with
14 clean machinery, enthusiastic apron-clad women operators,
15 and, throughout, the fresh smell of warm coconut. I hadn't
16 realized before what extreme care must be taken to insure
17 the most sanitary conditions possible for the preparation
18 of spices. The spices were carefully washed and cleaned,
19 and the handling was mostly done by shiny, bright machinery
20 which is absolutely germ-free. This was the nicest smelling
21 part of my trip.

22 A week later we went to the Thunderbird-
23 Lincoln-Continental plant to see a new development in our
24 water-reducible primer. As we walked down the assembly
25 line to the dipping tank, we picked out the car we saw

1 along the line that we'd most like to own. I chose a pink
2 Thunderbird convertible, and I did ask, but they weren't
3 giving out free samples that day. The dipping tank was
4 about as big as a small swimming pool, and was filled with
5 brown Glidden primer. The car bodies were immersed in this
6 primer to a depth of about 8 to 10 inches. This coating
7 gives rust protection to the dead ends and inside passages
8 of the body.

9 In Cleveland, here, we visited the Stouffer
10 experimental kitchen. There I saw the handsome stainless
11 steel kitchen equipment, and watched some demonstrations
12 using Fluid-Flex, our new liquid shortening. I don't know
13 much about shortening, but from what I heard and saw in
14 this kitchen, this stuff is easy to handle and mix. It
15 certainly should be a fine addition to Glidden's products.

16 Next, we look at a display of products that con-
17 tain menthol. I was surprised at the number and variety
18 of these products -- cosmetics, toothpastes, shaving creams,
19 cigarettes, drug items -- dozens and dozens of different
20 preparations. This new Glidden synthetic menthol will
21 have a wide and interesting field in products that we use
22 every day.

23 Next I went to Mr. Joyce's office, and after the
24 first few friendly words from him, he made me feel perfectly
25 at ease. We had a pleasant chat, discussing his duties,

1 and admiring the beautiful view of Lake Erie from his office
2 window. It seems to me that the most important parts of
3 Mr. Joyce's duties are coordinating the company activities,
4 and making possible the development of people. Glidden's
5 team has players that are full of pep and eager to put Glidden
6 out in front -- and the captain of the team keeps everyone
7 working toward the same goal.

8 The Glidden Company is so big, and includes so
9 many different kinds of products, that no one can give even
10 a simple listing of the products in a few minutes. From
11 what I saw, each of these many products has enthusiastic
12 people working to make it even better and more profitable.
13 It makes me feel good to be even a very tiny part of the
14 company.

15 I do want to thank the many Glidden people who
16 guided me through the plants, explained the manufacturing
17 processes, described new developments, and answered my
18 questions. I am certain that my Glidden stock is a very
19 sound investment, and I look forward to getting dividend
20 checks for years to come. (Applause.)
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1 CHAIRMAN JOYCE: Ladies and gentlemen,
2 I would like to say that John prepared that talk all by
3 himself. He didn't have any help from anybody, and I
4 wish that you would have been in my office when he walked
5 in to talk to me, and heard him say, "Just what do you do,
6 Mr. Joyce?" (Laughter.)

7 John was worried about missing a Biology class
8 last year, so I have written out a little excuse to your
9 teacher, and you can tell her that I have even gone so
10 far as to put in longhand at the bottom that you did a
11 fine job.

12 MR. ENGSTROM: Thank you. (Applause.)

13 CHAIRMAN JOYCE: Now, ladies and gentlemen,
14 we come to my report to the stockholders.

15 At last year's meeting, I summarized the various,
16 steps that had been taken to streamline and improve the
17 earning power of our company. This morning I would like
18 to outline the results we have achieved to date.

19 A part of our program involved the elimination of
20 low-profit investments. This has been essentially com-
21 pleted and previously reported to you. The most important
22 part, however, continues. It involves the strengthening
23 of our higher profit operations, and the investment of
24 money and manpower into new areas which show opportunities
25 for a satisfactory rate of profit. Management time that

1 once was devoted to the problems of low-profit operations
2 is now being spent in exploring and planning new ways to
3 improve our profitability.

4 During the past ten years, our divisional people
5 have done an excellent job in attempting to meet our profit
6 objectives. Unfortunately, their progress has been obscured
7 by the many changes that have taken place in recent years.

8 On pages 18 & 19 of our current annual report, we
9 have set forth the ten-year operating results of the company
10 on a basis which excludes the sales and profits of the
11 former Chemurgy Division. Since 1950, sales volume of our
12 current divisions has increased 26%, and income before taxes
13 has increased 33%. Net income shows only an 8% increase as
14 we have been unable to offset higher corporate income tax
15 rates placed into effect during this period.

16 A review of the individual segments reveals that
17 the Paint Division has produced an 82% sales increase and a
18 70% improvement in operating profits. These gains have
19 been the result of new products, broader distribution and
20 better manufacturing efforts.

21 In 1950, sales of the Food Division were \$84 million
22 compared to \$78 million last year. This decline reflects
23 lower raw material costs and the elimination of low-profit
24 products. While operating profits have shown only a small
25 improvement over 1950, the now active parts of this division

1 have consistently shown a good profit return on investment.
2 The Durkee operations have been completely reorganized in
3 the last several years, and the prospects for higher profits
4 are considerably brighter than they have been in the past.

5 Our greatest immediate potential for increased
6 earnings lies in the Chemicals-Pigments-Metals Division.
7 Over the ten-year period, sales have increased 20% and oper-
8 ating profits, 67%. During this time, we disposed of the
9 West Coast lithopone, the white lead and the type-metal
10 businesses. When the sales and profit contributions of
11 these operations are eliminated from 1950 results, the
12 degree of improvement in our present activities is very
13 satisfactory. With the new investments made and being made
14 in this division, we expect an even greater rate of growth.

15 The Organic Chemical Division has undergone a com-
16 plete change in the last ten years. The shift from the
17 naval stores business to terpene chemicals, tall oil products
18 and synthetic resins has now been virtually completed.
19 Since 1950, sales have gained 46%, and operating profit is
20 up 14%. As you know, last year's results were burdened by
21 heavy start-up and development costs in this small division,
22 which account for the unsatisfactory profit increase.
23 Future rates of increase should be much better. Because
24 of the division's present size, however, the total dollar
25 amounts involved will be modest when compared to our other

1 operations.

2 Since 1954, over \$31,000,000 has been invested
3 in new plants and equipment for the chemical divisions,
4 and in this five-year period sales have increased 53
5 percent and operating profits were up 64 percent.
6 We have yet to receive all the benefits from our past
7 capital expenditures, and further sums are being invested
8 in these operations. On the basis of our recent
9 experience, and projection for the future, we expect an
10 even higher rate of growth over the next five years.

11 I am very proud of the job our divisional
12 operating people have done and are doing. If they could
13 do that well during a period when the company had
14 limited cash resources and management time was being
15 spent on the problems of low-profit operations, I am
16 confident they now have greater opportunities with full-
17 time management support and a strong financial structure
18 behind them.

19 I would now like to turn to a completely
20 different subject -- politics. The interest created by
21 my letter which accompanied the October dividend prompts
22 me to make a few further remarks on this topic.

23 I have long had an interest in politics -- not
24 as an elected or appointed officeholder, but as a
25 contributor to and an active participant in my own

1 political party. Experience has shown that many people
2 believe that partisan politics is beneath them; that it
3 is dirty business; that people who engage in politics
4 are only looking out for themselves. Perhaps this
5 latter assumption is true, if our objective in looking
6 out for ourselves is to obtain good government.

7 Many of these same people regard themselves as
8 independent voters. They will vote for the candidate,
9 regardless of party, who seems best qualified for the posi-
10 tion. This is all well and good, but they overlook the fact

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14 (See next page.)
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1 that their choice has been narrowed by the operations of
2 partisan politics. The candidates they choose between have
3 been selected in individual party primaries, which in turn
4 are greatly influenced by the inner party councils. So it
5 would appear to me that good government begins with good
6 party leadership.

7 Obviously, every citizen cannot be active in the
8 management of his political party. Those who have the
9 ability should do so. There are plenty of jobs for others --
10 soliciting contributions, passing out campaign literature,
11 working at polling places and many others. Having per-
12 formed jobs of this nature puts you in a position to express
13 your opinion to local party leaders and to influence party
14 policy. Certainly this is more effective than simply
15 casting your ballot for candidates and platforms other
16 people have selected.

17 In my October letter, you were asked to take a
18 greater interest in government affairs to help obtain a
19 more favorable climate for the growth of our free economy.
20 We are similarly asking our employees to become more
21 informed and vocal.

22 This coming year, we intend to encourage our em-
23 ployees to contribute money to their political party. We
24 believe that a broader base of financial support will lessen
25 the danger of special interest groups having a disproportion-

1 ate voice in party affairs. Also, having made an invest-
2 ment in their party, our employees are apt to take a more
3 active interest in its policies and candidates.

4 Prior to the recent November election, we distributed
5 nonpartisan literature on candidates and issues where avail-
6 able in local plant communities. During the next year, we
7 will invite candidates from both parties to visit our plants
8 and discuss their views with our people. We will also
9 provide our people with other nonpartisan materials to help
10 them keep abreast of the actions of their government
11 representatives.

12 Many of our employees are already active in their
13 local governments. One of our officers is a member of the
14 school board in his community; another recently helped man-
15 age the campaign of a mayoralty candidate in one of our
16 major suburbs; still another was active in promoting a new
17 form of government here in Cuyahoga County. Other of our
18 employees are similarly engaged, and more are being encouraged
19 to become so. In such activities, they are acting as citi-
20 zens of their community and not as employees or representa-
21 tives of The Glidden Company.

22 We consider it most important that all our efforts
23 be kept on a bipartisan basis. I join with others who state
24 that the Republican Party cannot afford to become the party
25 of business anymore than the Democratic Party can afford to

1 become the party of labor. We need two strong parties,
2 both of which are dependent upon and representative of
3 broad masses of the voting public and not special interest
4 groups.

5 Our American economy faces increasing competition
6 from capable sources in other parts of the world. An
7 industry crippled by restrictions and limited in financial
8 ability cannot effectively meet that competition.

9 We are engaged in a long-term battle for survival.
10 If our company and other companies are to succeed, each of
11 us must see that our governments provide the proper atmos-
12 phere for success.

13 Before proceeding with any questions you may have
14 concerning our company, I would like at this time to re-
15 quest a report by the inspectors on the balloting.

1 The Inspectors of Election will now report.

2 MR. DUTTON: Mr. Chairman, the
3 Inspectors of Election wish to report that of the
4 2,309,180 shares of common stock of the Company entitled
5 to vote at this meeting, 1,853,302 shares are present
6 either in person or by proxy.

7 Each Director nominee received the affirmative
8 vote of 1,853,302 shares.

9 On the resolution to approve the designation of
10 Ernst & Ernst as auditors for the company, 1,836,781
11 shares voted in favor, and 14,462 shares voted against
12 the resolution.

13 1,751,148 shares were voted in favor of the
14 resolution authorizing the 1959 Stock Option Incentive
15 Plan and releasing 100,000 shares of stock from pre-emptive
16 rights. 95,797 shares were voted against the resolution.

17 The Inspectors' final certificate will be attached
18 to the minutes of the meeting.

19 MR. GILBERT: Point of information,
20 Mr. Chairman.

21 CHAIRMAN JOYCE: Mr. Gilbert?

22 MR. GILBERT: Have the Inspectors the
23 approximate number of proxies they received for and
24 against the option's proposal in terms of proxies?

25 CHAIRMAN JOYCE: Mr. Dutton?

1 MR. DUTTON: I believe that the number
2 I read would be the proxy ^{total shares} ~~statement~~. No, I haven't
3 broken it down into howmany proxies there are.

4 MR. GILBERT: May I ask that in future
5 years you keep an approximate running account as we go
6 along whenever we have controversial issues like that?

7 MR. DUTTON: We can do that.

8 CHAIRMAN JOYCE: I would like to announce,
9 at the finish of Mr. Dutton's report, the election of
10 Directors, the adoption of the resolutions authorizing
11 the 1959 Stock Option Incentive Plan and releasing 100,000
12 shares of stock from the pre-emptive rights, and resolution
13 approving Ernst & Ernst as auditors of the Company.

14 The meeting is now open to questions from
15 stockholders. I will ask that stockholders present their
16 questions from the floor before the microphones, and state
17 their names, and so forth.

18 MR. GILBERT: On behalf of the stock-
19 holders that I am representing, I have a few questions,
20 Mr. President.

21 Again, it is a pleasure to ask them of you, and
22 I certainly agree with everything you have said in the
23 speech you just made.

24 I notice that we apparently have lost 2000
25 shareholders, or almost that, since last year. I wonder if

only 1000

1 you have any ideas as to what has happened, why the
2 number has gone down?

3 CHAIRMAN JOYCE: I would like to have
4 Mr. Maxey, vice president of Finance, answer that question.

5 MR. MAXEY: First, we do not conduct
6 a follow-up, of course, when anyone sells their stock.
7 I think that is the individual's own right, to reach his
8 own conclusions. In studying the shareholders' list,
9 the loss has been in the smaller shareholders. There has
10 been a concentration into some of the funds which did not
11 exist before, and in major trust accounts of banks. It
12 would be an opinion that some of the smaller holders who
13 had come into the Glidden situation back in '48-'49 at a
14 fairly high level, elected to remove themselves when our
15 stock again reached the levels which were experienced at
16 that particular time.

17 As I say, that is only an opinion based on an
18 observation of the records, but I believe that will be the
19 case.

20 MR. GILBERT: Thank you. And on
21 Page 4 of the Annual Report we are told in June we acquired
22 a 38-acre parcel of property located south of Cleveland,
23 on which we plan ultimately to build a central research
24 laboratory. Did this involve very much money?

25 CHAIRMAN JOYCE: The acquisition of the

1 land, I believe, involved \$90,000; am I correct in that,
2 Mr. Maxey?

3 MR. MAXEY: In total it was something
4 over \$100,000.

5 MR. GILBERT: And will you comment a
6 little further on research, your normal budget, or anything
7 like that, or anything more that you would care to say on
8 it?

9 CHAIRMAN JOYCE: Yes, I would be glad to
10 comment on that. We are very research conscious in our
11 Company, Mr. Gilbert. As you know, we now have four
12 major divisions -- really three, and the two Chemical
13 Divisions are pretty much classed as one -- and we handle
14 research in two ways. We handle it at the divisional
15 level, and as corporate research. There, of course, it
16 is awfully hard to differentiate between product development
17 and research in a company like ours, where one stops and
18 where one starts. That is why we do have what you might
19 call pure research often at the divisional level.

20 In addition to that we do have a broad research
21 program for the Company as a whole -- you might call it
22 overall research -- which would include projects that
23 would require a type of personnel and equipment that we
24 can't maintain at these branches.

25 This plot of land you talk about, it is our

1 intention for the next year to build a central research
2 facility. We had one in Chicago in the Chemurgy Division,
3 and we couldn't very well pick that out of the pot when
4 we sold that to Central Soya, but we are very research
5 conscious and we are now in the process of considering our
6 research budgets for the coming year.

7 MR. GILBERT: Since we are talking of
8 budgets, the earnings, as you have noted in the Annual
9 Report, have increased, and they are substantially in
10 excess of the dividends. Will you comment on the
11 dividend policy as you see it?

12 CHAIRMAN JOYCE: Yes. Frankly, I think
13 that our dividend policy up to now has been very conserva-
14 tive and in the best interests of the stockholders. I
15 think that our pay-out of \$2.00 against our earnings is
16 all that we should pay out considering the development
17 program we have in the Company for the future, and as of
18 now I don't think any member of the Board would think about
19 increasing dividends.

20 I don't mean by that, Mr. Gilbert, to say that
21 \$2.00 is frozen forever, but I am talking about this coming
22 year.

23 MR. GILBERT: I think that is a very
24 important point, because otherwise we will never get some
25 more stockholders if they think it is a frozen investment.

1 A year or two, that doesn't matter, but I think we should,
2 if earnings keep rising, remember that, even if occasionally
3 they stop a dividend or something, in addition, so that
4 those who keep our stock will have really extra dividends
5 that way. That might also be an answer to the whole
6 problem.

7 There is another point that I would like to ask
8 you. On Page 4 you have mentioned in the paragraph after
9 the one I read that you are starting a branch expansion
10 program in Canada, and you have acquired several distributing
11 organizations in the Provinces of British Columbia or
12 Ontario. Can you give us some information as to how this
13 was acquired, whether a public company, private company,
14 stock, money, or how did we do it?

15 CHAIRMAN JOYCE: I would like to have
16 Mr. Duncan, who is vice president of the Paint Division,
17 comment on that.

18 MR. DUNCAN: I believe the point of
19 your question was were these public companies?

20 MR. GILBERT: That was one of the
21 questions.

22 MR. DUNCAN: A little background in a
23 few words. These were two companies who actually had
24 grown with us, and they were owned by former employees of
25 ours. It is very difficult at times to keep a good man

1 within your employ if he has dreams of being an entrepreneur
2 and going out and owning his own business. They are
3 usually very good men. We like to get them back. Not
4 only did we obtain a very healthy business, these men who
5 owned these businesses have made quite a respectable
6 competence for themselves as a result of it, they developed
7 the business with our aid and with our line. Now we have
8 acquired the business and the manpower, too, which I think
9 is a fine stroke.

10 MR. GILBERT: Did this involve very
11 much money or did it involve stock, or what did it involve?

12 MR. DUNCAN: No, it involved, as a matter
13 of fact -- the employment was part of the blue sky. Do
14 I make myself clear? So there was no good will to speak
15 of, and we just bought the net worth of the stocks and the
16 equipment, and so forth. We assumed the leases.

17 MR. GILBERT: Are these companies
18 to be operated as 100 percent owned subsidiaries?

19 MR. DUNCAN: Absolutely.

20 MR. GILBERT: And on Page 11 we are
21 told that greater emphasis was placed on advertising
22 consumer paint and food products, resulting in \$1,100,000
23 increase in advertising expenses. About how much was our
24 budget last year?

25 CHAIRMAN JOYCE: Have you got those figures,

1 Max?

2 MR. MAXEY: Yes. Our total advertis-
3 ing last year was about \$4,000,000. Wait a minute. That
4 was the previous year. This last year, it was upped
5 \$1,100,000, so it is about \$5,400,000. That was total
6 company advertising.

7 CHAIRMAN JOYCE: Any other questions?

8 If there are no other questions, ladies and
9 gentlemen, I want to again express my appreciation to all
10 of you for coming out here today, and I am very pleased
11 with the turnout.

12 I want you to know that we look forward to a
13 continuing friendly association with you stockholders as
14 the years go by. I am looking forward to seeing all of you
15 back next year, and hope we have some additional stock-
16 holders present.

17 The Chair will now entertain a motion for
18 adjournment.

19 MR. R. F. GROVES: I so move, Mr. Chairman.

20 MR. D. E. ERSKINE: Second the motion.

21 CHAIRMAN JOYCE: All those in favor say,

22 "Aye." Contrary. Meeting is adjourned.
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