NOTES FOR ANNUAL MEETING

December 8, 1966

TABLE OF CONTENTS
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DECEMBER 8, 1966

I. Balance Sheet Review

A. Cash and Banking

The Glidden Company maintains the following bank relationships:

	Glidden	Ltd.	Int'l.
Major Accounts & Credit Line Banks	22	3	7
Other Bank Relationships	197	3	7
Total	219	6	14
Total Number of Bank Accounts	272	11	26

Cash is collected locally throughout the United States and Canada and is deposited in local bank accounts. We maintain 27 post office lock boxes under arrangements with local banks for servicing and depositing of funds received. Funds are then moved by depository transfer check and bank wire to 17 regional collection centers and are under the control of the Treasurer's office.

Invoices are paid by Regional Accounts Payable computer centers and Divisional Accounts Payable departments which maintain their own working fund accounts. Funds are transferred periodically to working fund accounts by Headquarters Cash Control Department, using bank wire and check transfers. Accounts Payable has been regionalized with computer centers at Cleveland, Ohio; Chicago, Illinois; Millbrae, California; and Reading, Pennsylvania. Freight payment plans are presently used at four banks, and the fifth and sixth are presently under consideration. Night depository arrangements are in effect where beneficial.

B. Short-Term Securities

At August 31, 1966 we reflected $1,062,856 of short-term securities at cost on the Balance Sheet. These securities represented investments of The Glidden Company, Ltd. The Glidden Company did not have any investments at fiscal year-end.

All of these securities had maturities of less than one year.

During the year the domestic Glidden Company's average short-term portfolio was $3,083,000 which was a decrease of $4,969,244 from fiscal 1965. The average after-tax interest yield was 2.54% (4.88% equivalent before tax), as compared to 2.25% and 4.33% for fiscal 1965.

I. Balance Sheet Review

B. Short-Term Securities (Continued)

Although not indicated as short-term securities on the Balance Sheet, the following was interest-bearing and classified as cash:

Cash in Foreign Banks $805,000

Our liquid position continued to enable us to be invested all of the 365 days of fiscal 1966.

C. Accounts and Notes Receivable - Trade (000 omitted)

	8/31/66	8/31/65	8/31/64	8/31/63
Accounts Receivable	$39,731	$33,945	$27,893	$24,835
Notes Receivable	799	575	507	406
Total	$40,530	$34,520	$28,400	$25,241
Reserve for Bad Debts and Allowances	730	704	614	510
Net per Annual Report	$39,800	$33,816	$27,786	$24,731
% Bad Debt Reserve to Receivables	1.8%	2.0%	2.2%	2.1%
Past Due Receivables:				
Dollar Amounts	$ 4,576	$ 3,377	$ 3,059	$ 2,465
% of Gross Receivables	11.29%	9.8%	10.8%	9.8%
Receivables Charged Off	$ 725	$ 499	$ 377	$ 527
Recoveries Against Receivables Charged Off	138	179	127	161
Net Bad Debt Loss	$ 587	$ 320	$ 250	$ 366

Bad Debt Loss as % of Sales:

1966	.17%
1965	.11%
1964	.10%
1963	.16%
1962	.10%
1961	.15%
1960	.08%
1959	.06%

I. Balance Sheet Review

C. Accounts and Notes Receivable - Trade (Continued)

Accounts receivable outstanding for the Company was 41 days. This compares to 41 days in 1965 and 40 days in 1964. Domestic outstanding was 37 days compared to 39 days in fiscal year 1965. There were significant differences within the Groups. The C&R Group, primarily as a result of increased sales through Leased Departments, showed a two-day improvement over 1965. The Foods Group experienced a three-day deterioration and the proportion of total Company receivables invested increased from 23% to 27%. Expanding sales, particularly in the Food Services segment, contributed to increased receivables. This segment also contributed to a slowing of turnover. Days outstanding in the Chemicals Group increased four days, primarily as the result of having consolidating International figures.

Net bad debt losses of $587,000, up $267,000 over 1965, represented .17% of sales. International units accounted for $240,000 of the increase with The American Roof and Paint loss at our Puerto Rico operation totaling $182,763.

Domestic net losses increased just $17,000 and as a percent of sales, compare favorably with prior years. Losses involving painting contractors made up 60% of total C&R chargeoffs; up from 46% in 1965 and 34% in 1964. This reflects our increasing sales activity in that market coupled with the economic problems faced by the construction industry.

The following is a percentage breakdown of total receivables by major division:

	** 1966	* 1965	1964	1963	1962
Coating and Resins	55%	59%	57%	59%	60%
Durkee Foods	27	23	19	19	19
Chemicals	18	18	15	16	17
International	-	-	9	6	4
Private Ledger	-	-	-	Nominal	Nominal
	100%	100%	100%	100%	100%

*Receivables from International operations were 10% and adjusted to the appropriate operating groups as follows: C&R 6%, Durkee Foods 1%, and Chemicals 3%.

**International included in the totals for each group.

I. Balance Sheet Review

D. Inventories

Published total inventory increased $18,145,000 from fiscal 1965. Changes by Group were as follows (000 omitted):

	August 1966**	August 1965*	Increase (Decrease)
Coatings and Resins	$26,189	$22,476	$ 3,713
Durkee Foods	31,594	19,705	11,889
Chemicals	15,231	13,281	1,950
International	-	- *	-
	73,014	55,462	17,552
LIFO Reserve	-	(216)	216
Canadian Dollar Adjustment	(210)	(188)	(22)
Foods Inventory Adjustment	556	157	399
	$73,360	$55,215	$18,145

*International units inventory of $2,592 at August 31, 1965, was recast as follows: C&R $1,843, Durkee Foods $10, and Chemicals $739.

**International units inventory as of 8/31/66 reflected in appropriate groups.

Coatings and Resins - The total increase of $3,713,000 consisted of increases of $2,912,000 in finished stock and $801,000 in raw materials.

The majority of the finished stock increase was due to the opening of 30 new Leased Departments and 25 new Distribution Units throughout the fiscal year. The days turnover of finished stock in other than the new Distribution Units and Leased Departments improved over last year. Most of the new units and Leased Departments on the average had not been open long enough for sales levels to be commensurate with initial inventory stocking. The remainder of the increase in finished stock resulted from increased stocking for additional Industrial Sales and projected penetration into the Maintenance Sales area. The raw material increase in addition to accommodating increased levels, resulted from heavier buying in view of some projected price increases.

I. Balance Sheet Review

D. Inventories (Continued)

Durkee Foods - Inventories in the Durkee Foods Group have increased $11,889,000 from last year. The total increase consisted of $2,358,000 increase in raw material and $2,532,000 increase in finished stock. Durkee Trading Inventory was up $1,690,000 in raw materials. The acquisitions of Allied Foods, Polarized Meat, B. M. Reeves, Chris & Pitts, and Euro Products accounted for $4,475,000 of the total increase as follows:

Allied Pickle	$1,532,000
Polarized Meat	315,000
B. M. Reeves	2,077,000
Chris & Pitts	201,000
Euro Products	350,000

The $834,000 remaining increase is combination of new Grocery Products items, increased pickle inventories and miscellaneous items.

Inventory control in the Durkee Foods Group is established through the joint efforts of Headquarters and Division Management. An important aspect is the daily control exercised over raw materials based upon the market quotations of edible oils and condiment raw materials. The Durkee Trading Office projects market conditions as they relate to raw material requirements and communicate with Headquarters and Division management. Market conditions of spices and other materials are reviewed on a daily basis and material requirements are projected into the future.

~~Days supply of finished stock has improved over last year by 5 days.~~ Raw material days supply has increased 12 days due to long inventory position on essential raw materials. In total, days supply of inventory has increased from 64 days supply in 1965 to 71 days supply in 1966.

Chemicals - The Chemicals Group Inventory was $1,950,000 higher than a year ago. Finished stock inventory decreased $471,000 while raw material inventory increased $2,421,000. The finished stock inventory decrease resulted from increased sales and effective control over the inventory investment by management. The increase in raw material inventory resulted from increasing work-in-process and raw materials to carry our higher level of activity. Days supply of inventory has increased from 89 days in 1965 to 102 days in 1966. Control of inventories in the Chemicals Group is maintained jointly by Group and Division management. Inventory needs are determined on the basis of individual market sources and operating requirements.

I. Balance Sheet Review

D. Inventories (Continued)

LIFO Reserve - Approval was obtained from Internal Revenue in fiscal year 1966 to go off of LIFO. There is no longer a LIFO Reserve. This change did not significantly affect our inventories since only a small portion was subject to the LIFO method.

Turnover - Published Net Sales to year-end net inventory:

1966	-	4.80 to 1
1965	-	5.51 to 1
1964	-	4.66 to 1
1963	-	4.59 to 1
1962	-	4.89 to 1
1961	-	4.97 to 1

International Units - The individual managers of the various International operations overseas, subject to the review and coordination of the appropriate domestic group management, determine necessary inventory levels through anticipation of planned sales levels with recognition of the problems caused by their overseas supply situations.

E. Other Current Accounts

Detail at August 31 was:

	1966	1965
Margin Advances (Durkee Foods)	$ 239,264	$ 111,614
Material Deposits (Chemicals)	44,899	47,861
Claims Against Common Carriers (All)	171,274	134,779
Employees' Accounts (All)	11,319	13,226
Salesmen's Advances (All)	122,061	99,468
Installment Sales (Headquarters)	114,896	57,721
Wood & Selick Coconut Co. (Bethlehem)	30,641	35,002
Alcohol Refund on Extract Business (Beth.)	47,194	44,683
Industrial Acceptance Corp. (Canada)	250,000	50,000
Tank Car Rental (Berkeley)	27,512	38,208
Southwest Forest Industries (Organic)	2,098	34,164
Miscellaneous Notes and Accounts	946,878	662,828
	$2,008,036	$1,329,554

I. Balance Sheet Review

F. Prepaid Expenses

Detail at August 31 was:

	1966	1965
Prepaid Insurance	$ 216,616	$ 447,131
Prepaid Taxes	282,647	265,381
Prepaid Postage	10,401	-
Prepaid Rent	38,088	42,417
Prepaid Advertising	-	54,150
Other Prepaids	92,579	54,010
	$ 640,331	$ 863,089

G. Property

For schedule of major capital expenditures and 1966 forecast, see page 40 .

For Depreciation, see page 19 .

Insurable value of all buildings, machinery and equipment is $134,526,344. Lease obligations for buildings occupied by company units are covered on page 12 .

H. Other Assets and Deferred Charges

Detail at August 31 was:

	1966	1965
Prepaid Bond Discount and Expense	$ 528,967	$ 559,783
Investments -		
Chicago Board of Trade	34,701	34,701
International Subsidiaries	2,256,185	2,804,253
(Detail on page 55 for 1966		
Grand Union (B. M. Reeves)	241,723	-
Miscellaneous	46,963	12
Deferred Development	674,472	720,665
Employee Loans	46,916	58,703
Patents and Patent Rights	470,201	511,646
Misc. Notes and Accts. Receivable	148,397	127,258
Reeves Intangibles	1,295,192	-
Glidden Salchi Net Loss	(350,926)	-
Euro Products Intangibles	76,457	-
	$5,469,248	$4,817,021

I. Balance Sheet Review

I. Short and Long-Term Financing

1. Short-Term Borrowing and Bank Lines of Credit

During fiscal 1965, Glidden did not have any short-term borrowings. During fiscal 1966, our maximum short-term was $15,000,000 from 5/31/66 to 6/28/66. Our minimum borrowing was -0- from 9/1/65 to 12/30/65.

Interest on short-term borrowings was $427,000. At August 31, 1966, we maintained lines of credit of $14,000,000 for Glidden (Plus $1,000,000 for either Glidden or Glidden International). These were carried at major banks across the country as follows:

Bank	City and State	Amount
The Citizens & Southern National Bank	Atlanta, Georgia	$ 500,000
Union Trust Company of Maryland	Baltimore, Maryland	500,000
Continental Illinois National Bank & Trust Company of Chicago	Chicago, Illinois	1,000,000
The First National Bank of Chicago	Chicago, Illinois	2,000,000
The Cleveland Trust Company	Cleveland, Ohio	500,000
The National City Bank of Cleveland	Cleveland, Ohio	1,000,000
Society National Bank of Cleveland	Cleveland, Ohio	500,000
Republic National Bank of Dallas	Dallas, Texas	500,000
Bank of America, N.T. & S.A.	Los Angeles, Calif.	500,000
The Louisville Trust Company	Louisville, Kentucky	500,000
The Chase Manhattan Bank	New York, New York	2,500,000
Chemical Bank New York Trust Company	New York, New York	1,000,000
First National City Bank of New York	New York, New York	1,500,000
The Boatmen's National Bank of St. Louis	St. Louis, Missouri	500,000
Mercantile Trust Company	St. Louis, Missouri	500,000
United California Bank	San Francisco, Calif.	500,000
Union Commerce Bank	Cleveland, Ohio	1,000,000*

* International.

Because of our credit agreement (see Section I-2), we propose to renew credit lines at only those banks not participating in the term credit. On the basis of the preliminary Corporate long-range plan, it is not anticipated that we will exceed the term credit plus the credit lines, which are to be established as follows:

I. Balance Sheet Review

I. Short and Long-Term Financing (Continued)

1. Short-Term Borrowing and Bank Lines of Credit (Continued)

Bank	City and State	Amount
The Cleveland Trust Company	Cleveland, Ohio	$ 500,000
Society National Bank	Cleveland, Ohio	500,000
Republic National Bank	Dallas, Texas	500,000
Bank of America, N.T. & S.A.	Los Angeles, Calif.	500,000
The Louisville Trust Company	Louisville, Kentucky	500,000
Mercantile Trust Company	St. Louis, Missouri	500,000
United California Bank	San Francisco, Calif.	500,000
	Total	$3,500,000

2. Credit Agreement Financing (Long-Term Debt)

On August 25, 1966, we entered into a revolving/term credit with ten of our prime banks. The total amount of the agreement is $20,000,000, allocated as follows:

Bank	City and State	Amount
First National City Bank	New York, New York	$ 5,000,000
Chase Manhattan Bank	New York, New York	4,000,000
Chemical Bank New York Trust	New York, New York	3,000,000
Continental Bank	Chicago, Illinois	2,000,000
First National Bank	Chicago, Illinois	1,000,000
National City Bank	Cleveland, Ohio	1,000,000
Union Commerce Bank	Cleveland, Ohio	1,000,000
Boatmen's National Bank	St. Louis, Missouri	1,000,000
Citizen's and Southern National Bank	Atlanta, Georgia	1,000,000
Union Trust Company	Baltimore, Maryland	1,000,000
	Total	$20,000,000

The First National City Bank of New York is acting as agent for the various banks.

Terms of the agreement are as follows:

a. Three-year revolving credit agreement starting August 25, 1966. Take downs in multiples of $1,000,000. (8/31/66 outstanding amount - $12,000,000.)

b. Interest on revolving portion of loan at prime rate (presently 6%).

I. Balance Sheet Review

I. Short and Long-Term Financing (Continued)

2. Credit Agreement Financing (Long-Term Debt) (Continued)

c. Commitment fee on unused portion at 1/4%.

d. Prepayment of notes can be made upon ten days written notice to agent in multiples of $100,000.

e. Reduction of the total commitment can be made upon thirty days written notice to the agent in multiples of $5,000,000.

f. The term portion of the loan will commence on August 25,1969, and will be for a period of five years.

g. Interest on term loan portion will be at prime plus 1/4%.

h. Repayment of term loan will be in ten equal semi-annual payments commencing February 25, 1970, and terminating August 25, 1974.

3. Long-Term Financing - Debenture Issue

Long-term indebtedness of The Glidden Company is represented by the $30,000,000 of 4-3/4% sinking fund debentures dated November 1, 1958, and due on November 1, 1983, and loans to subsidiaries from banks of $4,550,000.

Guarantees for subsidiaries loans have been issued by The Glidden Company in the amount of $5,335,000.

At August 31, 1966, the total outstanding amount of 4-3/4% debentures was $25,500,000. No current portion was shown on the balance sheet as we purchased on the open market during fiscal 1966 our November 1, 1966, sinking fund requirement of $1,500,000.

The following is a summary of our current position:

Original Outstanding Amount			$30,000,000
Sinking Fund -	November 1, 1964	$1,500,000	
	November 1, 1965	1,500,000	
	November 1, 1966	1,500,000	4,500,000
			$25,500,000

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I. Balance Sheet Review

I. Short and Long-Term Financing (Continued)

3. Long-Term Financing - Debenture Issue (Continued)

The debentures were offered publicly on October 28, 1958, at 99 and the effective interest cost is 4.98% based on the net proceeds after all expenses.

Interest on Debentures - 1966	$ 1,235,306
Amortization of Discount and Expense	30,816
	$ 1,266,122

Since January 1, 1966, market price of debentures has varied from a high of 99-5/8 to a low of 87 (October 19, 1966). The last debenture trading prior to August 31, 1966, was on August 22, 1966, at 90-1/2 and the last traded prior to December 8, 1966, was on

4. Long-Term Financing - Polarized

The long-term portion of the note at our Polarized Meat Division at 8/31/66 was $770,000. This is held by the Northeastern Pennsylvania National Bank - maturing July 15, 1979. Mortgage is at 5-1/2% and is conventional.

J. Contingent Liability

The use of the new "Guideline" lives of fixed assets in computing our tax depreciation resulted in an excess of $1,153,966 over book depreciation. Provision for the tax on this difference amounting to $553,904 was made in 1966.

All matters pertaining to our Federal income tax liability for years through 1963 are closed, with the exception of the tax applicable to the Chemurgy transaction with Central Soya Company. In October 1966, we received a favorable District Court decision on our Claim for Refund for fiscal years 1960-1961 based on the Chemurgy transaction, but the appeal period for the Government is still open. The Company's Federal income tax returns for fiscal years 1964 and 1965 are presently under audit. It is fully expected that the amounts provided in the years involved will be sufficient to meet any tax deficiency assessment.

No problem in Government contracts through renegotiation or otherwise.

I. Balance Sheet Review

J. Contingent Liability (Continued)

The detail of major real estate lease commitments at August 1965 is (CONFIDENTIAL - DO NOT RELEASE):

	Total Contract	Fiscal 1967
Paint Branches	$ 7,250,126	$ 2,145,983
Bethlehem Plant	736,875	67,500
Cleveland Executive Offices	3,819,693	272,379
Miscellaneous Facilities	1,214,262	387,445
Puerto Rico	802,080	88,975
	$13,823,036	$ 2,962,282

At 8/31/66 a reserve of $231,000 was available for contingent liability for claims and fees.

K. Stock and Stockholders

1. At August 31, 1966, stock outstanding was as follows:

Common	6,559,458
Preferred	195,593

Preferred stock is convertible into 550,105 shares of common.

The Company's common stock is listed on the New York Stock Exchange and has unlisted trading privileges on the Midwest, Pacific, Philadelphia-Baltimore, and Boston Stock Exchanges. The preferred stock is not listed.

From January 1, 1966, through October 1, 1966, the price of the Company's common stock ranged between a high of $28.25 and a low of $18.88 (See Annual Report, pages 22-23, for prior years). During the same period the average number of shares traded on the New York Stock Exchange was 3,526.

The closing price of Glidden stock on December 7, 1966, was

2. Other comments on stock.

a. During fiscal 1966, we discontinued the program of purchasing stock for Treasury.

I. Balance Sheet Review

K. Stock and Stockholders (Continued)

b. The $2.125 cumulative preferred stock was issued incident to the agreement of merger of Pemco Corporation into The Glidden Company and subsequent merger of the Macco Chemical Company and Subsidiaries into The Glidden Company.

(1) Holders of the shares are entitled to dividends of $2.125 per annum payable quarterly on the first days of February, May, August, and November.

(2) Holders have no voting rights except under certain conditions. (See paragraph 8, page 7, Special Meeting Proxy Statement dated January 20, 1964.)

(3) The stock is not redeemable prior to August 31, 1966, and is thereafter redeemable at the following prices:

$55.00 per share prior to 9/1/71
$53.00 per share prior to 9/1/76
$52.00 per share prior to 9/1/81
$51.00 per share after 9/1/81

(4) Holders of the shares are entitled to $50.00 per share plus unpaid cumulative dividend in case of an involuntary liquidation and to redemption price current at the time of the distribution or payment date in case of voluntary liquidation.

(5) The Company is obligated to set aside on or before November 15 of each year out of the earnings of the previous fiscal year a sum equal to the larger of $1.00 for each share outstanding or $200,000, to be used to purchase the $2.125 preferred stock of and to the extent obtainable at a price not exceeding $50.00 per share. Any monies remaining at December 31 are released and repaid to the general fund of the Company. During the period of November 15 to December 31, 1965, no preferred shares were tendered.

(6) Prior to the split of the common stock, each share of preferred stock was convertible into 1.125 shares of common. Since the stock split the ratio is 2.8125 shares of common for each preferred share.

(7) Holders of cumulative preferred stock have no preemptive rights in any stock or securities convertible into stock.

I. Balance Sheet Review

K. Stock and Stockholders (Continued)

c. Stock dividends are always under consideration, but we have no plans for such. It is felt that stock dividends only spread earnings and value over a larger number of shares with price adjusting accordingly.

3. Holdings of shares as follows:

	August 31, 1966			August 31, 1965		
	No. of Share-holders	% Shares Held	Avg. Shr. Held	No. of Share-holders	% Shares Held	Avg. Shr. Held
Individuals	21,041	62.55%	195	19,721	61.17%	190
Institutions	397	5.31	877	371	5.04	833
Brokers	177	5.03	1,865	187	9.77	3,202
Nominees	457	27.11	3,896	419	24.02	3,514
Total	22,072	100.00%	297	20,698	100.00%	296

II. Operating Statement

A. Gross Profit

	Published 1966	Published 1965
Percent to Net Sales	28.46%	28.20%
Dollars	$100,162,374	$85,722,462

Increase 1966 over 1965	
Due to Net Sales Increase	$13,525,002
Due to Gross Margin Increase	914,910
Net 1966 Increase	$14,439,912

B. Selling and Administrative Expense

The 1966 Annual Report shows a Selling and Administrative Expense increase of $9,571,000, a 14.8% increase over last year. Net sales increased 15.8% over the same period.

The major increases (decrease) by caption in 1966 are as follows:

Sales Compensation	$2,454,000
Salesmen's Expense & Other Terr. Charges	284,000
Samples and Allowances	146,000
Sales Administrative Salaries	476,000
Travel	298,000
Storage	150,000
Advertising (local and national)	1,580,000
Bad Debt Provision	221,000
Product Development, Technical Service	429,000
Research	389,000
Office Salaries	1,483,000
Communications	110,000
Occupancy	579,000
Moving	66,000
Retirement, Bonus	(536,000)
Development Costs	662,000
Data Processing	177,000
Taxes (State and Local)	206,000
Conferences	19,000
Sales Market Research	49,000
PFE Expense	61,000
Office Supplies	59,000
All Other	209,000
Total	$9,571,000

II. Operating Statement

B. Selling and Administrative Expense (Continued)

The Group breakdown of Selling and Administrative Expense increases over the prior year is:

	Increase Over Prior Year 1966
Coatings and Resins	$5,639,000
Durkee Foods	3,807,000
Chemicals	1,340,000
Headquarters	(1,029,000)
Development	(186,000)
Total	$9,571,000

Increases in Selling and Administrative Expenses by Groups were as follows:

C&R - Significant increases in C&R Group Selling and Administrative were:

Salesmen's Expense	$ 77,000
Sales Compensation	1,371,000
Sales Administrative Salaries	206,000
Product Development	326,000
Development Costs	207,000
Office Salaries	704,000
Communications	51,000
Data Processing	54,000
Occupancy	531,000
Division Group Administration	242,000
Travel	133,000
Corporate Administration	303,000

C&R had an increase in Net Sales of 13.0% over fiscal 1965 and 15.0% increase in Selling and Administrative Expenses.

Durkee Foods - The acquisition of Allied Foods, Chris & Pitts, B. M. Reeves, Euro Products, and the Polarized Meat Company accounted for $2,145,000 of Selling and Administrative Expenses consisting mainly of:

II. Operating Statement

B. Selling and Administrative Expense (Continued)

Durkee Foods - (Continued)

Sales Compensation	$ 652,000
Sales Administrative Salaries	144,000
Advertising	485,000
Office Salaries	278,000
State and Local Taxes	91,000
Storage	65,000
Administrative Division Group and Corporate Administration	61,000

Other significant increases excluding Allied Foods, Chris & Pitts, B. M. Reeves, Polarized, and Euro Products were:

Sales Compensation	$ 349,000
Sales Administrative Salaries	80,000
Advertising	404,000
Office Salaries	65,000
Research	65,000
Salesmen's Expense and Other Territorial Charges	184,000
Corporate Administration	155,000

Excluding acquisitions, Durkee Foods Group Net Sales were up 9.0% while Selling and Administrative Expenses increased 10.6%.

Chemicals - Significant increases in Chemicals Group Selling and Administrative Expenses were:

Salesmen's Expense	$ 34,000
Sales Administrative Salaries	57,000
Samples and Allowances	70,000
Product Development	365,000
Research	88,000
Development Costs	570,000
Corporate Administration	135,000

Chemical Group Net Sales increased 8.0% over fiscal 1965, while the Selling and Administrative Expenses increased 13.8%.

II. Operating Statement

B. Selling and Administrative Expense (Continued)

Headquarters - Total Headquarters Administrative Expenses were $12,244,000 in fiscal 1966 compared to $10,698,000 in fiscal 1965 and $9,730,000 in fiscal 1964. Pension Costs and Professional Services are detailed as follows:

	1966	1965	1964	1963
Pension Costs	$ 295,000	$ 782,000	$ 1,049,000	$ 999,000
Professional Services	644,000	551,000	521,000	521,000
Other Administrative Expenses	11,305,000	9,365,000	8,160,000	7,340,000
Total	$12,244,000	$10,698,000	$ 9,730,000	$ 8,860,000

Increases in Other Administrative Expenses were $1,940,000 over 1965 and $3,145,000 over 1964. Other Administrative Expense by Groups is summarized as follows:

	1966	1965	1964	1963
C&R Group Administration	$ 2,208,000	$ 1,930,000	$ 1,683,000	$ 1,535,000
Food Group Administration	1,529,000	1,253,000	796,000	660,000
Chemicals Group Administration	917,000	518,000	425,000	347,000
International Group Admin.	303,000	378,000	331,000	296,000
Corporate Administration	6,348,000	5,286,000	4,925,000	4,502,000
Total	$11,305,000	$ 9,365,000	$ 8,160,000	$ 7,340,000

Major increases were Office Salaries $456,000, Travel $70,000, Occupancy $65,000, Headquarters Offices Administration $683,000, and other variable expenses up $554,000.

C. Other Income - Published P&L

The major items this year and last were:

	1966	1965
Dividend Income	$ 427,856	$ 138,378
Interest Earned	290,918	434,735
Gain (Loss) - Disposal of Capital Assets:		
Disposal of Sharples Refinery Equipment	(97,546)	-
Miscellaneous	(4,713)	(61,229)
Other:		
Investment Writedown	(1,000,000)	(500,000)
Scrap and Residue Sales	135,622	228,330
Leased Truck Operations	228,961	177,362
Domestic and Foreign Technical Service Fees	421,713	417,150
Rental Income	66,165	49,956
Prior Year Adjustments	(148,096)	176,761
Miscellaneous	7,324	(19,568)
Total Other Items - Net	$ 328,204	$1,041,875

GLD004155

II. Operating Statement

D. Depreciation

Book depreciation charges for 1966 were $7,235,711 compared to $6,753,140 in 1966.

Additional depreciation of approximately $1,153,966 will be claimed for Federal tax purposes in 1966 as a result of the "Guideline" adjustment of asset lives, compared with $1,815,739 in 1965.

E. Fixed Charges

The two major items of this nature which may be of concern to shareholders are:

	1966	1967 (Per LRP)
Interest Expense	$1,983,649	$2,262,000
Estimated Real Estate Lease Liability (CONFIDENTIAL) See page 9	2,112,379	2,962,282
	$4,096,028	$5,224,282

Based on the 195,593 shares of preferred stock issued and outstanding at August 31, 1966, preferred dividends of $415,635 will become payable in 1967.

F. Advertising Expense - By Group

	C&R*	Durkee Foods	Chemicals	Corporate	Total	% to Sales
1966	$4,429,814	$4,353,522	$ 207,588	$ 289,344	$9,280,268	2.64%
1965	$3,892,681	$3,427,654	$ 202,545	$ 73,017	$7,595,897	2.50%

*Includes Canadian Dollar Adjustment.

II. Operating Statement

G. Research and Development

	1965 Actual	1966 Actual	1966 Budget	1967 Budget	Increase 1967 Budget Over 1966 Actual
Research	$4,068,488	$4,354,323	$4,574,000	$5,092,000	$ 737,677
Administrative	217,244	160,758	191,000	147,000	(13,758)
Tech. Serv. to Mfg.	382,698	416,134	405,000	513,000	96,866
Sales Service	2,441,683	2,830,357	2,599,000	3,014,000	183,643
	$7,110,113	$7,761,572	$7,769,000	$8,766,000	$1,004,428
Control Lab	1,702,151	2,000,217			
Total	$8,812,264	$9,761,789			
% to Net Sales	2.90%	2.77%			

H. Average Assets and Profit Return

	1966 Average Assets	1966* Profit	1966** Profit	1966 % Return
Coatings and Resins	$ 72,070,004	$ 9,670,211	$ 9,311,976	13.4%
Durkee Foods	51,732,552	8,031,414	7,844,410	15.5%
Chemicals	49,955,389	8,903,823	8,690,664	17.8%
Total Group	$173,757,945	$ 26,605,448	$ 25,847,050	15.3%*
Total Company	$185,791,184	$ 24,191,605	$ 24,191,605	13.0%

*Before allocation of Headquarters items.

**After allocation of Headquarters items - Agrees with Annual Report.

I. Miscellaneous

It may be pointed out, on inquiry, that all Divisions of the Company were operated profitably in 1966 with the exception of:

Coatings and Resins
Glidden Salchi - C&R, Italy
Industrias Division, Puerto Rico

II. Operating Statement

I. Miscellaneous (Continued)

Chemicals
- Hammond
- Collinsville
- Pemco Bruges (Belgium)

Foods
- Berkeley
- Allied Foods
- Gretchen Grant
- Euro Products Division

J. Outside Consultant Fees

Law Department		$ 80,967
Patent Department		40,528
Executive Department:		
Provision for Legal and Audit Fees	$190,000	
E. N. Hay & Associates	46,634	
MacKay Shields	50,077	
Other	25,319	312,030
Controller's Department		104,840
Other Administrative Departments		147,624
Development Cost:		
Princeton Chemical Research	$ 33,574	
Yale Laitin Associates, Inc.	4,785	
Institute of Paper Chemistry	7,308	
A. D. Little	46,925	
Roger Williams	6,000	
Marshall & Stevens	4,575	
Driebe & Gerry	20,000	
Schwadacher Company	6,000	
Philip Ewing	4,000	133,167
		$819,156

II. Operating Statement

K. Taxes

1. Guideline Tax Depreciation

Revenue Procedure 62-21 permits, for a limited period of time, the deduction of depreciation based on arbitrary useful lives which may be substantially less than actual. This has resulted in an excess of tax depreciation over book depreciation in 1966 of $1,153,956 and in 1965 of $1,815,739. The higher tax deduction thus obtained has brought about a deferment of taxes payable in 1965 of $883,693 and in 1966 of $553,904. The Glidden Company will continue to employ for financial reporting purposes the asset lives based on statistical studies of our own replacement experience. The advantage obtained by the application of Revenue Procedure 62-21 lies in the immediate availability of cash that would otherwise be payable for current taxes. The 1966 deferment of $553,904 provided an additional cash flow amounting to .08 per common share.

2. Investment Credit

The Revenue Act of 1962 allows a credit against the tax liability of up to 7% of investment in property other than buildings since January 1, 1962. In 1966, this credit amounted to $594,000 or nine cents per share compared with $261,720 or six cents a share in 1965.

For 1965 and subsequent years, the total amount of the investment credit will flow through to earnings by a direct reduction of the current Federal tax provision.

II. Operating Statement

L. Comparative Operating Profit Schedule Before Allocation of Corporate Items (000's omitted)

	1966		1965	
	Before Taxes	After Taxes	Before Taxes	After Taxes
Coatings and Resins	$ 9,565	$ 5,221	$ 9,553	$ 4,987
Inventory Increment	(363)	(186)	(564)	(291)
	$ 9,202	$ 5,035	$ 8,989	$ 4,696
Foods	$ 8,031	$ 4,323	$ 5,805	$ 2,980
Net Market Gain or Loss	(1,769)	(907)	(1,100)	(566)
	$ 6,262	$ 3,416	$ 4,705	$ 2,414
Chemicals	$ 8,904	$ 4,718	$ 7,998	$ 3,955
Development				
Corporate Development Costs	$ (559)	$ (309)	$ (960)	$ (663)
Architectural Products	-	-	(31)	(16)
	$ (559)	$ (309)	$ (991)	$ (679)
Other Income (Deductions)	$ (684)	$ (351)	$(1,288)	$ (642)
Pension Cut Back	(1,100)	(564)	(496)	(255)
Net Operating Loss	$(1,784)	$ (915)	$(1,784)	$ (897)
To Adjust for Effective Tax Rate	-	(86)	-	393
Net Operating Profit	$22,025	$11,859	$18,917	$ 9,882
Adjustments Itemized Above	$ 3,232	$ 1,657	$ 2,160	$ 1,112
LIFO Provision Reversal	216	111	(31)	(16)
Investment Write-Down	(1,000)	(1,000)	(500)	(500)
Inventory Adjustments	326	167	157	81
Provision for Claims and Fees	4	2	(246)	(127)
Adjustments - Prior Years	(148)	(148)	214	214
Special Bonus Provision	(250)	(128)	(300)	(155)
Loss on Disposal of Assets	(113)	(58)	-	-
Provision for Audit	(100)	(51)	-	-
Total Published Profit*	$24,192	$12,411	$20,371	$10,491

*Published profit as well as all applicable extraneous items were computed at an effective tax rate of 48.7% in 1966 and 48.5% in 1965.

II. Operating Statement

M. Summary of Extraneous Items (000's omitted)

	1966		1965	
	After Taxes	Per Share	After Taxes	Per Share
Published Final Net Profit	$12,411	$1.830	$10,491	$1.630
Food Market Reserves	(907)	(.138)	(566)	(.093)
Pension Cut Back	(564)	(.086)	(255)	(.042)
LIFO Provision (Reversal)	(111)	(.017)	16	.002
Provision for Claims and Fees	(2)	-	127	.021
C&R Inventory Increment	(186)	(.028)	(291)	(.048)
Special Bonus Provision	128	.020	155	.025
Investment Write-Down	1,000	.152	500	.082
Inventory Adjustment	(167)	(.025)	(81)	(.014)
Adjustments - Prior Year	148	.023	(214)	(.035)
Provision for Audit	51	.008	-	-
Loss on Disposal of Assets	58	.009	-	-
	$11,859	$1.748	$ 9,882	$1.528
Number of Shares	6,559,458		6,130,166	

III. Cash Use and Projection

A. Application of Funds (In Thousands)

	1966	1965
Source of Funds		
Net Income	$12,411	$10,491
Depreciation	7,236	6,753
Provision for deferred income taxes	554	884
	$20,201	$18,128
Borrowing under Credit Agreement	12,000	-
Net current assets acquired for Common Stock	736	1,429
Sale of Common Stock under option plans (1966-39,717 shares; 1965-48,295 shares)	626	751
	$33,563	$20,308
Application of Funds		
Dividends declared	$ 6,445	$ 5,591
Expenditures for property, plant, and equipment	11,686	9,866
Acquisition of Common Stock for treasury (104,550 shares)	1,167	2,438
Retirement of sinking fund debentures	1,284	1,716
Redemption of $2.125 Cumulative Preferred Stock (2,950 shares)	-	166
Increase in working capital	12,556	646
Other Applications - Net	425	(115)
	$33,563	$20,308

III. Cash Use and Projection

B. Five Year Forecast - Cash Basis
(In Thousands of Dollars)

	Actual				Forecast				
	1963	1964	1965	1966	1967	1968	1969	1970	1[illegible]
Beginning Cash	11,947	15,540	19,767	15,639	8,828	8,305	7,301	7,237	7
Plus Cash In									
Net Profit Before Tax - Corp. Operations	14,467	18,016	20,371	24,192	28,080	30,857	37,321	42,745	46
Depreciation	6,750	6,736	6,753	7,236	7,822	8,661	8,965	9,425	9,
Proceeds from Stock Options	100	506	751	626	197	36	372	1,430	1,
Term Debt Principal - Additional Borrowings	443	80	-	13,570	-	2,823	-	1,068	
Total Cash In	21,760	25,338	27,875	45,624	36,099	42,377	46,658	54,668	59,
Less Cash Out									
Federal and Foreign Taxes	4,326	6,850	9,386	10,072	14,038	16,862	17,572	20,393	23,
Capital Expenditures (Capital Only)	4,023	6,904	9,866	11,705	11,448	16,068	10,631	17,904	15,
Dividends Paid	5,082	5,155	5,415	6,153	7,174	7,739	8,437	9,989	11,
Debenture Principal	-	-	3,216	1,284	-	1,500	1,500	1,500	1,
Term Debt Principal - Repayment of Borrowings	-	-	223	-	1,844	-	2,747	-	1,
Changes in Non-Cash Working Capital	1,796	965	4,774	19,367(1)	(1,728)	3,554	5,754	4,220	5,
Other charges in Assets/Net Worth(2)	2,940	1,237	(877)	3,854	3,846	(2,342)	81	662	
Total Cash Out	18,167	21,111	32,003	52,435	36,622	43,381	46,722	54,668	59,
Ending Cash	15,540	19,767	15,639	8,828	8,305	7,301	7,237	7,237	7,

(1) Reflects addition of full working capital of Allied, B. M. Reeves, Chris & Pitts, and Polarized at time of acquisition.

(2) Includes only those changes involving the generation or use of Cash - Net.

GLD004163

IV. Employee Benefits

A. Pension Plan

	Expense per Books	Trust Fund Assets August 31, 1966		Unfunded Past Service Liability	Annual Current Service Cost	Number of Employees	
		Cost	Market			Under Fund	Receiving Benefits
U. S. Salaried (1)							
1966	$ 500	$21,255	$23,691	$ 4,193	$ 1,516	1,775	383
1965	700	19,573	22,028	4,734	1,371	1,756	357
U. S. Hourly (2)							
1966	-	4,843	5,396	1,170	344	1,262	368
1965	225	4,621	5,088	-	241	1,193	356
Canadian Salaried (3)							
1966	116	1,225	1,325	639	73	275	17
1965	104	1,085	1,222	586	69	278	15
Canadian Hourly (4)							
1966	24	378	407	66	20	133	17
1965	31	342	382	108	22	130	15
Total Funded							
1966	$ 640	$27,701	$30,819	$ 6,068	$ 1,953	3,445	785
1965	$ 1,060	$25,621	$28,720	$ 5,428	$ 1,703	3,357	743
Unfunded - Supplemental							
1966	108						119
1965	117						123
To Be Deposited To Meet Requirements							
1966		521	521				
1965		244	244				
Total 1966	$ 748	$28,222	$31,340	$ 6,068	$ 1,953	3,445	904
Total 1965	$ 1,177	$25,865	$28,964	$ 5,428	$ 1,703	3,357	866

(1) Amended to provide for minimum pension of $1,200 per year.
(2) Amended to provide for maximum pension of $1,200 per year, liberalized reduction for early retirement.
(3) Amended to integrate with Canadian governmental plans.
(4) Amended to integrate with Canadian governmental plans.

IV. Employee Benefits

B. Bonus Plan

Original plan adopted February 8, 1951, and amended through September 28, 1965. Administered by a Bonus Committee elected by the Board of Directors. In 1955, Gilbert suggested provision preventing bonus to top officers until a certain dividend has been paid.

Formula provides 12% must be earned (pretax) on bonus net capital (capital, term debt, etc.) before providing a bonus of 7% of Net Bonus Income. Consolidated net income after tax must exceed 6% bonus net capital employed also. The 1966 computation was:

Consolidated Net Income (After Taxes)		$12,410,605
Less: 12% Bonus Net Capital Employed		(19,331,463)
Add: Interest and Amortization of Discount on Debt	$ 1,383,979	
Bonus Provision	250,000	
Provision for Income Taxes	11,781,000	13,414,979
Less: Dividends and Interest from Unconsolidated Subsidiaries and Affiliated Companies		(422,930)
Net Bonus Income		6,071,191
Bonus Provision - Maximum Amount 7%		$ 424,983
Consolidated Net Income (After Tax)		$12,410,605
Less: 6% Bonus Net Capital Employed		(9,665,731)
Maximum Amount		$ 2,744,874
Actual Provision		$ 250,000

Since 1951 through fiscal 1966, the maximum allowable provision was $3,575,173. We have returned to profit $1,219,433 leaving $2,355,740 for Bonus payout.

In 1966, we provided, as indicated above, $250,000 for Bonuses. No awards have as yet been made for 1966.

GLD004165

IV. Employee Benefits

B. Bonus Plan (Continued)

No Bonus provisions or awards were made for the years 1960, 1961, 1962, and 1963.

A total of 1,317 awards have been made from 1951 through 1965. Maximum in any one year was 212, lowest 48. The highest individual amount awarded was $14,000 to Mr. P. W. Neidhardt in 1966. The previous high award $12,000 was made to Duncan, Sprague, Ruth and Goldseth in 1951.

Gilbert suggested resubmitting plan every five years to stockholders. We feel we need to do so only when there is a material change.

The purpose of the Bonus Plan is to provide reward and incentive to those employees and officers, except the Chairman of the Board of Directors and the President, who, beyond the call of duty, contribute to the success of the Company. As provided in the Plan, each award of more than $2,500 is paid in annual installments of 25% of the amount awarded or $2,500, whichever is greater, and the Bonus Committee determines what part of any award is to be paid in cash or stock. No bonus awarded to an employee for any fiscal year may exceed 50% of the basic annual salary of such employee at the end of such fiscal year.

Approximately 178 employees who receive salaries of $1,500 or more per month (including eight officers of the Company who serve as Directors) are currently eligible for consideration for Bonus awards. The Chairman of the Board of Directors and the President may not be awarded a Bonus under the Plan.

C. Stock Options

Under the 1952 Plan, 250,000 shares of authorized and unissued common stock were made available. The Plan provided that no option could be granted to an employee after age 65, and no participant could receive options covering more than 12,500 shares. The Plan also provided that the option price could not be less than 95% of the fair market value of the stock on the day the option was granted, and the option period could not exceed ten years from the date the option was granted nor more than three months after retirement of a participant. All rights to exercise options terminate when an employee ceases to be an employee for any cause other than death or retirement.

As of August 31, 1966, options to purchase 297,175 shares (120,000 to officers and directors) had been granted under the 1952 Plan. (Options for 83,580 shares had expired by reason of termination of employment or lapse, of which options for 47,175 shares were reissued, as authorized by the Plan, to qualifying employees).

IV. Employee Benefits

C. Stock Options (Continued)

Options representing 187,220 shares had been exercised (94,575 by officers and directors). There were outstanding under the 1952 Plan as of August 31, 1966, options for 26,375 shares (18,225 for officers and directors), exercisable over a period of ten years from the date granted but not more than three months after termination of a participant's employment. A total of 20 officers and directors and 19 other employees held options under the 1952 Plan. Officers and directors held options as follows:

	Option Price of $14.80 Expiring 11/29/66	Option Price of $15.00 Expiring 9/29/67	Option Price of $16.60 Expiring 12/28/68
Dwight P. Joyce	2,500		
B. W. Maxey	2,500		
W. G. Phillips			1,250
G. M. Halsey			2,500
R. D. Horner			750
G. S. Warner	5,000		1,250
P. W. Neidhardt	300		
R. E. Dorfmeyer			750
All Directors and Officers as a group (including those named above)	10,300	250	7,050

On September 29, 1959, the authority of the Company's Stock Option Committee to grant options under the 1952 Stock Option Incentive Plan was terminated by action of the Board of Directors.

IV. Employee Benefits

C. Stock Options (Continued)

1959 Option Plan

Provides Committee may option 250,000 shares of authorized and unissued common stock.

1. Option price not less than 100% of market (old plan 95%). Both not less than book value.

2. No option to employee after age 60 (old plan 65).

3. May not be terminated and reissued at lower price.

4. Term of option set by Committee up to ten years and may not be exercised for two years after grant (old plan all for ten years). Options issued in 1964 and subsequent years are for five-year term.

Under the 1959 Plan, options to purchase a total of 255,750 shares have been granted to 131 employees (including 121,500 shares to 31 officers). Directors and officers held options as follows:

	Option Price of $20.70 Expiring 11/1/69	Option Price of $16.00 Expiring 5/25/70	Option Price of $16.40 Expiring 7/23/71	Option Price of $17.00 Expiring 12/21/71
Dwight P. Joyce		5,000		
B. W. Maxey				5,000
W. G. Phillips				5,000
G. M. Halsey		3,500		5,000
R. D. Horner				5,000
J. H. Weeks				5,000
G. S. Warner				5,000
P. W. Neidhardt	2,000	1,000	2,500	5,000
R. E. Dorfmeyer	1,250		2,000	
All Directors and Officers as a group (including those named above)	7,500	6,000	6,000	42,500

At August 31, 1966, options for 208,832 shares were outstanding and no further options may be granted in the future under the 1959 Plan.

GLD004168

IV. Employee Benefits

C. Stock Options (Continued)

1964 Option Plan

Provides Committee may option 250,000 shares of authorized and unissued common stock.

Principal differences from 1952 and 1959 Plans:

1. Option price not less than 100% of fair market value (1952 Plan 95%). All plans not less than book value.
2. A subsequent option may not be exercised while there is outstanding any prior option at a higher price.
3. No option to employee after age 60 (1952 Plan, 65).
4. May not be terminated and reissued at lower price.
5. Term of option may not exceed five years.
6. Shares purchased under options must be held for three years to receive long-term capital gain tax treatment.

Under the 1964 Plan, options to purchase a total of 42,750 shares have been granted to 54 employees (including 8,750 shares to five officers -- no directors). At August 31, 1966, options for 42,480 shares were outstanding.

D. Wage and Salary Ratios

	1966	1965
Manufacturing Wages to Cost of Products Manufactured	12%	12%
Total Wages and Salaries	$61,997,952	$56,583,589
% to Net Sales	18%	18%
Total Wages, Salaries & Benefit Costs	$67,693,033	$61,532,357
% to Net Sales	19%	20%

IV. Employee Benefits

E. Salaries

Our salary rates, including those for officers and other key employees, including bonus, are fully in line with studies on this subject. We must be competitive in salaries and other inducements such as stock options, to attract and hold good men. Currently we are engaged in a Compensation Study through E. N. Hay & Associates. The proxy statement reports that total remuneration of all directors and officers as a group increased from $1,550,519 in 1965 to $1,621,213. Number of officers is 40.

F. Other Benefits

In addition to the Retirement Plan, employees are eligible to participate in a group life insurance, hospital and surgical benefit plan, a major medical plan, and an accidental death insurance plan. The Company has a formalized disability benefit plan whereby employees receive a portion of their salary or wages during prolonged illness - the amount and duration of benefits depending upon the employee's length of service. In fiscal 1964 a long-term disability plan was made available to employees earning $750 or more per month.

V. Acquisitions, Dispositions, and Capital Expenditures

A. Acquisitions

During fiscal 1966, the following acquisitions took place:

Euro Products S.A. - October 1, 1965

The assets of Euro Products, Brussels, Belgium, were purchased for cash in the amount of $75,000 on October 1, 1965. Euro Products packages and sells spices, instant coffee, and food services in the common market area of Europe. This is currently being carried as an investment on the Canadian balance sheet.

Acquired through Cash Purchase as of October 1, 1965:

Cash	$ 1,410
Receivables	39,172
Inventories	19,250
Net Fixed Assets	27,848
Prepaid Expenses	4,173
Unamortized Organization Expense	3,636
Intangibles	76,457
Accounts Payable	(21,613)
Notes Payable	(28,441)
Other Liabilities	(24,843)
Accruals	(16,401)
Total Investment	$ 80,648**

**Canadian dollar value.

V. Acquisitions, Dispositions, and Capital Expenditures

A. Acquisitions (Continued)

Allied Foods and Zippy Incorporated - October 11, 1965

The assets of Allied Foods and Zippy Incorporated, La Puente, California, were acquired in exchange for 49,429 shares of Common Stock of The Glidden Company. Allied Foods and Zippy Incorporated processes and packs a full line of pickle products for sale in the West Coast area.

Acquired through merger October 11, 1965 - (Handled as a Pooling of Interests):

Cash	$ 185,652
Investments	1,857
Accounts Receivable	152,891
Misc. Accounts Receivable	109,838
Inventory	1,093,883
Fixed Assets	486,033
Prepaid Expense	41,520
Deposits	25,000
Goodwill	2,000
Notes Payable	(944,757)
Accounts Payable	(382,338)
Res. - Federal Income Tax	(50,890)
Accruals	(46,762)
Miscellaneous Reserves	(11,510)
Total Assets and Liabilities	$ 662,417
Total Net Worth	$ 662,417

V. Acquisitions, Dispositions, and Capital Expenditures

A. Acquisitions (Continued)

B. M. Reeves Company - January 1, 1966

The assets of B. M. Reeves Company, Brooklyn, New York, and Mawer Annis Illinois, Inc., Chicago, Illinois, were purchased for cash in the amount of $6,809,575 on January 1, 1966.

B. M. Reeves Company and Mawer Annis Illinois, Inc. process and package imported and domestic specialty food items including olives, olive oil, fish, cherries, and sauces.

Acquired through cash purchase as of January 1, 1966:

Cash	$1,470,557
Investments	1,731,854
Accounts Receivable	557,958
Miscellaneous Receivables	50,517
Inventory	1,609,381
Fixed Assets	273,745
Prepaid Expense	12,969
Surrender Value Life Insurance	73,713
Intangibles	1,295,193
Accounts Payable	(158,982)
Accrued Expenses	(107,330)
Total Investment	$6,809,575

V. Acquisitions, Dispositions, and Capital Expenditures

A. Acquisitions (Continued)

Chris & Pitts Bar B-Q Sauce, Inc. - March 1, 1966

The assets of Chris & Pitts Bar B-Q Sauce, Inc., South Gate, California, were acquired in exchange for 85,886 shares of Common Stock of The Glidden Company. Chris & Pitts Bar B-Q Sauce, Inc. manufactures liquid barbecue sauce items for distribution at the grocery store level in the western states marketing area.

Acquired through merger as of March 1, 1966 - (Handled as a Pooling of Interests):

Cash	$ 60,466
Accounts Receivable	27,691
Inventory	250,318
Investments	52,138
Net Fixed Assets	10,546
Prepaid Expense	2,396
Accounts Payable	(9,492)
Res. - Federal Income Tax	(8,338)
Miscellaneous Receivables	3,798
Total Assets and Liabilities	$ 389,523
Total Net Worth	$ 389,523

GLD004174

V. Acquisitions, Dispositions, and Capital Expenditures

A. Acquisitions (Continued)

Polarized Meat Company - June 1, 1966

The assets of Polarized Meat Company, Moosic, Pennsylvania, were acquired in exchange for 256,470 common shares of The Glidden Company stock. Polarized Meat Company processes specialty frozen portion control meat products for hotels, restaurants, and other mass feeding establishments.

Acquired through merger as of June 1, 1966 - (Handled as a Pooling of Interests):

Cash	$ 285,371
Accounts Receivable	553,900
Inventory	281,845
Prepayments	22,034
Net Fixed Assets	869,688
Payables	(935,850)
Accruals	(50,701)
Res. - Federal Income Tax	(224,622)
Total Assets and Liabilities	$ 801,665
Total Net Worth	$ 801,665

V. Acquisitions, Dispositions, and Capital Expenditures

B. Dispositions and Shutdowns

	Annual Sales Last Full Year	Profit or (Loss) Last Full Year	Avg. Profit or (Loss) Last 4 Yrs. Operated	Pre-Tax Profit or (Loss) on Sales or Abandonment	After Tax Cash & Asset Utilization Last Full Year Basis
Hammond 7/16/51	$ 4,076,147	$ (234,346)	$ (373,225)	$ 142,235	$ 2,044,710
Oakland 10/25/54	627,505	(226,221)	39,296	96,376	997,955
Feed Mill 8/10/54	4,423,653	65,538	15,608	(290,471)	2,417,154
Portland 9/18/52	2,941,393	92,554	13,771	(19,369)	1,224,149
Cambridge 7/1/55	1,308,738	(60,579)	(9,537)	(6,542)	851,472
Yadkin	-	-	-	(8,149)	58,673
Jojaba - Castella	-	-	-	50,597	125,640
Barytes Mines	-	-	-	-	11,679
Buena Park 8/31/56	4,033,465	(11,032)	(67,338)	(253,580)	1,095,247
Eastern Marg. & Salad Prod. 2/1/57	9,996,668	(372,378)	(414,580)	(197,934)	2,383,320
Elmhurst Building A,8/31/57; S,8/1/58	-	-	-	(252,240)	1,269,854
Scranton 6/9/58	1,100,590	52,028	66,056	30,690	455,467
St. Helena 3/31/58	-	-	-	(1,215,239)	925,924
Buena Park Land 1/28/58	-	-	-	174,957	136,635
Chemurgy 9/1/58	31,982,480	1,477,859	1,503,501	1,156,164	27,415,123
Southern Pine 2/28/58	1,070,947	103,448	68,240	(76,237)	292,555
Valdosta 3/28/60	2,941,738	320,127	156,671	275,301	1,430,042
Berkeley M & SP 4/30/60	5,645,470	98,726	66,787	39,176	684,913
Tulsa-Gen. Paint 6/1/62	398,897	(7,795)	(1,796)	(7,813)	314,422
Architectural Products Division 6/23/64	2,757	(16,255)	(12,900)(1)	(58,732)(3)	154,851
Collinsville 8/24/64	-	-	-	(160,499)	81,117
Frozen Food Aband. 4/8/64 to 8/31/64	1,110,209	(243,575)	(143,031)(2)	(416,588)(4)	821,100
Buena Park Land 11/29/63 & 2/28/64	-	-	-	568,768	445,399
Louisville 8/31/66 Aband. Sharples Equip.	-	-	-	(97,546)	57,603
Total	$71,660,657	$ 1,038,099	$ 907,523	$ (526,675)	$45,695,004

	Book Value	After Tax Cash Flow	Excess - Cash Over Book Value
Fixed Assets - Sold	$11,676,930	$19,522,768	$ 7,845,838
- Abandoned	2,899,415	1,502,426	(1,396,989)
	$14,576,345	$21,025,194	$ 6,448,849

(1) Two-Year Average 1962-1963.
(2) Two-Year Average 1963-1964.
(3) Loss on Disposition of Fixed Assets only. Additional Inventory Loss of $23,524 resulted in Total Loss on Disposition of $82,256.
(4) Loss on Disposition of Fixed Assets only. In addition, Excess Cost of $86,511 and Other Expense (including Inventory Write-Down) of $47,294 was incurred to arrive at the Total Loss on Disposition of $550,393.

V. Acquisitions, Dispositions, and Capital Expenditures

C. Mining Activity

The mining of Ilmenite Ore at Lakehurst, New Jersey, which was begun in August, 1962, produced 71,160 tons of ore in fiscal 1966.

D. Major Expenditures Over $50,000 (Capital and Expense) 1966
(Thousands of Dollars)

	Expended Prior To 1966	Expended In 1966	Appropriations $100,000 Plus In 1967
Macco Resins Land, Plant Const. & Equipment	577	2,356	-
Southeastern Construct Whse. Additions	-	108	-
Macco Construct Whse. - Production Bldg.	33	63	-
Pacific High Speed Dispersion Equipment	-	112	-
Pacific Purchase and Renovate Heil Property	-	141	-
A.P.D. Building Products Appl. Lab. Facilities	16	265	-
Central Conveyor and Filling Line Equipment	-	68	-
New Orleans Dispersion Equipment and Tankage	-	59	-
Nubian High Speed Dispersion Equipment	-	73	-
Other	896	1,741	-
Total Coatings & Resins - North America	1,522	4,986	-
Industrias Glidden de Puerto Rico	270	519	-
Other	39	109	-
Total Coatings & Resins - International Units	309	628	-
TOTAL COATINGS AND RESINS GROUP	1,831	5,614	-

V. Acquisitions, Dispositions, and Capital Expenditures

D. Major Expenditures Over $50,000 (Capital and Expense) 1966 (Continued)
(Thousands of Dollars)

Durkee Foods:	Expended Prior To 1966	Expended In 1966	Appropriations $100,000 Plus In 1967
Chicago - New Emulsifier Equipment	-	-	500
Louisville - Rail and Truck Scale	8	53	-
Louisville - Tank Filters and Bleaching Equipment	-	-	110
Louisville - Filling and Packing Equipment	-	-	125
Louisville - Hydrogen Gas Plant	304	60	-
Louisville - Mel Fry Production Facility and Winter Oil Modification	-	73	-
Wolcott - Construct Whse., Purchase Conveyor Equipment, and Fork Truck	-	76	-
Wolcott - French Fried Onion Prod. Facility	-	104	-
Berkeley - Steam Boiler	30	122	-
Berkeley - Cont. Ref. Bleach & Acidulation Fac.	-	377	-
Berkeley - Raw Material Storage	14	99	-
Bethlehem - Jacket Pack Equipment	-	54	-
Bethlehem - Construct Whse. Addition - Purchase 2 Lift Trucks	-	157	-
Dailey - Construct Bldg. Add. & Purch. Process Line Equipment	-	207	-
Dailey - Steam Boiler	-	74	-
Dailey - Building Addition	-	-	175
Gretchen Grant - Plant Expansion & Increase Prod. Facilities	281	795	-
Allied - Plant Equipment Moving, Modifications & Reinstallation	-	58	-
B. M. Reeves - Acquire Assets	-	279	-
Empire - Construct Warehouse (Acquisition)	-	-	100
Other	1,055	1,048	-
Total Durkee Foods - Domestic	1,692	3,636	1,010
Euro Products - Acquire Assets	-	52	-
Other	-	105	-
Total Durkee Foods - International	-	157	-
TOTAL DURKEE FOODS GROUP	1,692	3,793	1,010

V. Acquisitions, Dispositions, and Capital Expenditures

D. Major Expenditures Over $50,000 (Capital and Expense) 1966 (Continued)
(Thousands of Dollars)

Chemicals:	Expended Prior To 1966	Expended In 1966	Appropriations $100,000 Plus In 1967
Hammond - Iron Powder Mfg. Plant	2,627	304	-
Johnstown - Land Purchase	-	65	-
Johnstown - Used Ball Mill	-	82	-
Johnstown - Belt Furnace Modifications	-	54	-
Johnstown - Annealing Furnace	-	-	100
Baltimore - Inorganic Research Facilities	623	338	-
Baltimore - Secondary Milling Facilities	29	56	-
Baltimore - Secondary Milling Facilities (New Project)	-	-	100
Baltimore - Increase Treatment & Press Feed Fac.	-	169	-
Baltimore - Mill Relocation & Repair, Purchase Auxiliary Equipment	-	61	-
Baltimore - Electron Microscope with Accessories	-	57	-
Baltimore - Plant Expansion	-	-	1,020
Baltimore - 70% Anatase Slip Facilities	-	-	125
Jacksonville - Additional Basic Terpene Storage Fac.	78	83	-
Jacksonville - R.D. Laboratory Expansion	12	186	-
Jacksonville - Butler Bldg. & Flavor Oil Processing Equipment	-	87	-
Jacksonville - Fractionating Column with Acc.	-	78	-
Jacksonville - Carbon Equipment	-	-	250
Jacksonville - Camphor Equipment	-	-	150
Jacksonville - Control Measuring - Basic Terpene	-	-	300
Port St. Joe - Additional Storage Facilities	-	56	-
Port St. Joe - Clay Treatment	-	-	150
Port St. Joe - Paving and Drainage	-	-	150
Other	1,581	1,407	-
Total Chemicals - Domestic	4,950	3,083	2,345
Major Projects Over $50,000	-	-	-
Other	952	101	-
Total Chemicals - International	952	101	-
TOTAL CHEMICALS GROUP	5,902	3,184	2,345

V. Acquisitions, Dispositions, and Capital Expenditures

D. Major Expenditures Over $50,000 (Capital and Expense) 1966 (Continued)
(Thousands of Dollars)

Headquarters:	Expended Prior To 1966	Expended In 1966	Appropriations $100,000 Plus In 1967
Major Projects Over $50,000	-	-	-
Other	100	190	-
Total Headquarters	100	190	-
TOTAL COMPANY	9,525	12,781	3,355

Note: There is nothing in this schedule for Dwight P. Joyce Research Center which will be a "Leaseback" facility.

VI. OTHER MAJOR FUNCTIONS AND ITEMS

A. Donations

The donations policy of the Company provides for reasonable support to educational, health and welfare, and charitable organizations. This policy is administered by the Donations Committee, under the direction and guidance of the President and Board of Directors.

Educational support has been given through the following:

1. Awarding of four scholarships under the auspices of the National Merit Scholarship Corporation. 1966 winners were:

Stephen M. Bowell*	Northwestern University
Shelby A. Dodds	Agnes Scott College
Thomas W. McLeod*	Georgia Institute of Technology
Janna Lee Page*	Wooster College

* Children of employees.

2. Cooperative Contribution Plan, under which the Company makes unrestricted grants to degree-granting universities in an amount equal to the donations made by employees of the Company to public colleges and universities, and twice amounts donated to private colleges and unversities. Contributed in fiscal 1966, $28,467 to 112 colleges.

3. Chemistry lectureship grants provided to 3 U.S. unversities to provide for lectures by outstanding individuals and to help promote understanding and interest in scientific achievement.

4. Outright grants to selected colleges and universities in the state of Ohio such as Case and Western Reserve and the Ohio Foundation for Independent Colleges.

In the health and welfare category, the Company has supported the United Appeal, Community Chest, Red Cross and United Health Fund programs in the communities where it has plants or branches.

In addition, selective support has been given to other service organizations and foundations. Contributions are not given to sectarian groups, labor organizations, etc.

	1966	1965	1964	1963	1962
Education	43%	43%	42%	41%	45%
Health and Welfare	43%	42%	48%	36%	36%
Other	14%	15%	10%	23%	19%
Total Donations	$214,437*	$197,159*	$220,314*	$171,690*	$157,873
% of Net Profit	1.7%	1.9%	2.43%	2.29%	2.36%
Per Employee	$21.74	$23.21	$28.24	$22.87	$22.19

* Includes contributions of merchandise as follows: 1966-$5,019 1965-$11,884 1964-$4,150 1963-$17,672.

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VI. Other Major Functions and Items

B. Audit

Company internal audit staff conducts unannounced audits of all operating units on a schedule calling for examinations as required. Audit verification is obtained on all acquisitions and investments.

Ernst & Ernst representatives present at the meeting will be Messrs.

C. Insurance

1. Fire, Extended Coverage, Vandalism, Business Interruption, Inland Transit

a. The "Employers Group" of Boston are underwriters for an all risk worldwide property package policy subject to definitions and special exclusions.

(1) No co-insurance, blanket limit $15,000,000 any one loss.

(2) Deductible of $10,000 combined property and business interruption applies to normally insured perils and inland transit. Deductible of $25,000 combined applies to other perils.

(3) Applies to buildings and contents of all manufacturing plants except in difference of conditions, only at Glidden Salchi and General Paint de Mexico. Contents of all stores and warehouses. Property in course of inland transit, except barges.

(4) In some foreign locations, underlying policies will be issued in locally entered companies to comply with local laws and will be paid in local currency. These companies will be members of, or have financial relationship with, the Employers Group.

2. Boiler, Machinery, and Electrical Apparatus

a. In United States and Canada, this is with the Lumbermen's Mutal Casualty Company in a comprehensive form covering all accidents subject to definitions and special exclusions.

(1) Coverage subject to over-all combined limit of $5,500,000 any one loss.

VI. Other Major Functions and Items

C. Insurance (Continued)

2. Boiler, Machinery, and Electrical Apparatus (Continued)

(2) Deductibles from $5,000 to $20,000 combined property and business interruption apply depending on what type of boiler, machinery, or electrical apparatus is involved in the accident. The more commonly insured carry the lower deductible.

(3) Covers direct damage, consequential damage, use and occupancy, and even service interruption, caused by accident to equipment of public utility servicing Glidden plants.

b. This insurance for foreign locations where required is written through the AIU (American International Underwriters) on more normal, restricted terms.

3. Ocean Marine and Barge Cargo

a. The Marine Office of America through a member company (The Continental Insurance Company) has issued to us a worldwide ocean marine open cargo policy.

(1) All cargo (import or export) moving at the risk of Glidden or any subsidiary is automatically covered subject to issuing of certificates or declarations to report the shipments.

(2) Barge cargo moving on the Mississippi and Ohio Rivers and in the Chesapeake Bay are specifically insured in separate policies.

4. Fidelity

a. All employees are bonded in substantial amount under a blanket fidelity bond with the Seaboard Surety Company.

b. Small deductible applies to exclude small claims.

5. Third Party Liability

a. We carry comprehensive bodily injury and product liability insurance and property damage liability. There are several policies in different underwriting groups.

(1) Property damage liability is written with a $25,000 deductible to give the salesforce and Law Department latitude in settling customer complaints.

VI. Other Major Functions and Items

C. Insurance (Continued)

5. Third Party Liability (Continued)

(2) Special endorsements extend the coverage to vendors of our products under certain conditions, to cover most types of personal injury as well as bodily injury, to protect the company against malpractice in rendering first aid, and other special situations - even for giving improper information to employees about benefit plans.

(3) Special policies protect against liability where we charter boats or airplanes for company purposes.

(4) We insure against libel and slander actions arising out of advertising activity.

(5) Directors and officers liability insurance has been arranged in Lloyd's of London.

b. Umbrella libility policies in Lloyd's of London broaden even further the basic policies and increases the total over-all limit of insurance coverage, except for the directors and officers liability, up to $8,000,000.

(1) This also applies as excess over automobile liability, employers' liability section of workmen's compensation insurance, and the fidelity bond.

6. Workmen's Compensation

a. We self-insure workmen's compensation in thirteen (13) states where our principal manufacturing is located.

(1) The self-insured states are California, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Minnesota, Missouri, New Jersey, Ohio, and Pennsylvania.

(2) We have excess insurance in case of a catastrophe to cover accidents, excess of $50,000 up to $2,000,000.

(3) Self-insurance has saved us over $1,000,000 in the last thirty-four (34) years.

b. In other states we are either under a blanket workmen's compensation policy, protecting against liability to employees under the workmen's compensation laws or otherwise, or we are under a compulsory state fund.

VI. Other Major Functions and Items

C. Insurance (Continued)

7. Automobile

a. We insure company-owned and leased cars and trucks for liability and physical damage under a company fleet policy with Allstate Insurance Company.

b. Small deductibles apply to the comprehensive fire and theft and the collision sections of the policy.

8. Losses

a. There were no major fires, explosions, or windstorm losses in the fiscal year.

(1)	Damage to the New Orleans plant by Hurricane Betsy	$31,684	9/ 8/65
(2)	Fire in pyrolysis unit at Jacksonville	$ 5,204	10/12/65
(3)	Hydrogen gas reformer ruptures at Louisville oil refinery	$ 9,348	10/30/65
	Deductibles	8,000	and
		$17,348	11/ 6/65
(4)	Smoke and water damage from fire in store adjacent to Cleveland, Tennessee Branch	$ 7,535	12/19/65
(5)	Bucket elevator explosion from dust at Hammond metal plant	$12,117	1/14/66
(6)	Fire and water damage at Johnstown metal plant	$ 4,975	4/23/66
(7)	Windstorm loss at B & O Warehouse, Cincinnati, pigment stock loss (Replacement less salvage value)	$ 4,719	7/13/66

9. Insurance Cost

a. The total cost of insurance premiums for fire, extended coverage, vandalism, and business interruption, and inland transit, as well as boiler and machinery, was $421,426 for the past fiscal year. (This figure should not be given out.)

VI. Other Major Functions and Items

D. Foreign Business

The Glidden Company

Included in consolidated Glidden sales and net earnings in 1966 and 1965 were the following:

	1966	1965
Net Sales		
Glidden International, C.A. (Including its subsidiaries)	$ 5,491,228	$ 2,373,105
Export Division	5,221,264	3,677,698
Industrias Glidden de Puerto Rico, Inc.	5,369,285	4,605,741
TOTAL	$16,081,777	$10,656,544
Net Profit (After Foreign Income Taxes)		
Glidden International, C.A. (Including its subsidiaries)	$ (13,398)	$ (190,636)
Export Division	406,363	221,055
Industrias Glidden de Puerto Rico, Inc.	(101,739)	(63,420)
Headquarters Allocations	(304,162)	(320,908)
TOTAL	$ (12,936)	$ (353,909)

The Glidden Company had one active foreign licensee during 1966 and received a technical service fee of $2,256 compared with foreign technical service fees of $2,360 in 1965 and $2,906 in 1964.

VI. Other Major Functions and Items

D. Foreign Business (Continued)

The Glidden Company

A direct stock interest was held in the following companies at August 31, 1966:

Name	% Of Interest	Net Book Cost
Consolidated -		
The Glidden Co., Ltd. - Canada	100.0%	$ 50,000
Glidden International, C.A.	100.0	18,018
Industrias Glidden de Puerto Rico	100.0	250,000
		$318,018
Unconsolidated -		
Fabrica Nacional de Pinturas, S.A. Cuba	15.1	-
TOTAL		$318,018

1) The Glidden Company, Ltd. (Canada) - Glidden holds 100% (4,200) shares at a book cost of $50,000: Shareholder's equity at August 31, 1966 was $7,570,108 (including its subsidiary, Walker Brothers, Limited), which is included in the consolidated balance sheet in the 1966 Annual Report.

2) Glidden International, C.A. - Glidden holds 99 shares (one held by The Glidden Company, Ltd. - Canada) which represents effective 100% control. Consolidated shareholder equity at August 31, 1966 and 1965 is shown below:

	August 31	
	1966	1965
Glidden International, C.A.	$3,706,527	$3,037,443
Pemco-Bruges	(1,200,999)	(772,330)
General Paint Co. of Mexico S.A.	337,483	334,493
Glidden Panama, S.A.	93,194	94,318
Fabrica de Pinturas Glidden, S.A. (Panama)	83,498	70,207
Glidden Salchi, S.p.A.	(350,926)	-
Glidden Chemie, GmbH	374,167	293,653
Eliminations on Consolidation	(539,914)	(541,356)
	$2,503,030	$2,516,428

VI. Other Major Functions and Items

D. Foreign Business (Continued)

The Glidden Company

3) Industrias Glidden de Puerto Rico, Inc. - At August 31, 1966, Glidden held 25,000 shares representing all the shares issued and outstanding, at a value of $250,000. This company was organized in fiscal 1962 as a holding and/or operating company for the various Glidden operations in Puerto Rico. Operations at August 31, 1966 included the Puerto Rican paint branches. Trans-Caribe Supply Company (plumbing supply business), Reliable Water Heater Company, Incorporated, (water heater manufacturer) and P. R. Obra, Incorporated (paint contracting). There has been no direct payment for equity in Trans-Caribe and Reliable as such payment is dependent on future profits. Glidden's original loan of $500,000 was written down to $209,344 during 1963. A further write-off to $195,727 was made in 1964. Owing to Industrias Glidden at August 31, 1966 was an additional $989,000 by Trans-Caribe Supply Company. As of August 31, 1966 both Reliable Water Heater Company and P. R. Obra Incorporated have ceased operations.

4) Fabrica Nacional de Pinturas, S.A. (Cuba) - Glidden holds 31,421 shares which represented a 15.1% interest. The Company expropriated by the Cuban Government in October, 1960. Both Glidden and Glidden International were adequately provided to cover the rather nominal accounts receivable balances outstanding. Since the shares were acquired by Glidden at no direct cost, no investment loss was suffered.

VI. Other Major Functions and Items

D. Foreign Business (Continued)

Glidden International, C.A.

At August 31, 1966, Glidden International, C.A. acted as holding company for the stock of Glidden's foreign subsidiaries except for The Glidden Company, Limited (Canada); Industrias Glidden de Puerto Rico, Inc.; and Fabrica Nacional de Pinturas, S.A. (Cuba). Details of the direct stock interest are shown on page ____.

In addition to acting as a holding company, the Belgian Branch of the Company commenced frit manufacturing operations in 1964 in Bruges, Belgium. To extend frit operations into Spain, two new companies were incorporated in May 1965:

(a) Industrias Glidden de Espana, S.A., an inactive manufacturing subsidiary and

(b) Glidden Iberica, S.A., a marketing subsidiary. Operations of Glidden Iberica were consolidated with the Bruges operation at August 31, 1966.

The sheet galvanizing company in Guatemala, Galvanizadora Centro-Americana, S.A., which was established in 1964, completed the construction of its plant during fiscal 1965 and manufacturing began in fiscal 1966. GICA held 51% of the issued and outstanding capital stock at August 31, 1966 at a value of $306,000.

Glidden International, C.A. had twenty-two active foreign licensees and received $423,589 in fees from these sources in 1966, compared with $321,428 in 1965 (twenty-two licensees).

VI. Other Major Functions and Items

D. Foreign Business (Continued)

Glidden International, C.A.

In 1966, for the fifth year, Glidden International, C.A. was consolidated with The Glidden Company for reporting purposes. Sales and net profits after foreign income tax are shown below:

Sales (In Thousands)	1966	1965	1964
Bruges	1,349	800	265
Panama	996	776	550
Mexico	812	797	754
Salchi (a)	2,334	-	-
	5,491	2,373	1,569

(a) - Operations Consolidated beginning January 1, 1966.

Net Profit (In Thousands)	1966	1965	1964
Bruges	(424)	(540)	(237)
Panama	132	120	66
Mexico	5	(8)	(9)
Salchi (a)	(351)	-	-
Operating Total	(638)	(428)	(180)
Chemie	106	25	73
Licensee Income	424	321	336
Other	240	30	(6)
Sub-Total	132	(52)	223
Intracompany Dividend Elimination	(145)	(139)	(8)
TOTAL GICA	(13)	(191)	215

(a) - Operations Consolidated beginning January 1, 1966.

VI. Other Major Functions and Items

D. Foreign Business (Continued)

Glidden International, C.A.

Glidden International, C.A. funds have been provided from accumulated earnings, bank borrowings, and borrowings from related companies. At August 31, 1966, the following were borrowings outstanding (Both short and long terms):

The Glidden Company	
To: Glidden International, C.A.	$ 920,000
General Paint Co. de Mexico, S.A.	424,000
Fabrica de Pinturas, S.A. (Panama)	400,000
Glidden Chemie, GmbH	950,037
Industrias Glidden, S.A. de C.V. (Mexico)	25,000
Banque de Bruxelles (Belgium)	450,000
Banque Lamber (Belgium)	450,000
First National City Bank (Belgium)	600,000
	$4,219,037

Glidden International, C.A. had thirteen banking associations at August 31, 1966:

Banca d'America e d'Italia	Milan, Italy
Banque de Bruxelles	Bruges, Belgium
Chase Manhattan Bank	Frankfurt, Germany
Chase Manhattan Bank	Panama City, Panama
Banco de Commercio	Mexico City, Mexico
Banco de Commercio	Caracas, Venezuela
Commerzbank	Dusseldorf, Germany
First National City Bank	Panama City, Panama
Banque Lamber	Brussels, Belgium
Union Commerce Bank	Cleveland, Ohio
First National City Bank	Brussels, Belgium
Banco de Bilbao	Barcelona, Spain
(Banco de Commercio de (Baja, California, S.A.	(Tijuana, Baja, Calif. (Mexico

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VI. Other Major Functions and Items

D. Foreign Business (Continued)

Glidden International, C.A.

At the end of the fiscal year, a direct stock interest was held in the following companies:

	% of Interest	Net Book Cost
Consolidated		
Glidden Panama, S.A. (Panama)	100%	$ 20,000
Fabrica de Pinturas Glidden, S.A. (Panama)	100	25,000
General Paint Co. de Mexico, S.A. (Mexico)	100	246,356
Glidden Chemie GmbH (Germany)	100	250,000
Industrias Glidden de Espana, S.A. (Spain)	100	2,250
Glidden Iberica S.A. (Spain) (Held by: GICA 50%, IGESA 50%)	100	2,250
Total Consolidated		$545,856
Unconsolidated		
Glidden Curacao N.V. (Curacao)	100%	$ 200
Industrias Glidden S.A. de C.V. (Mexico)	100	32,000
Ishihara Sangyo Kaisha, Ltd. (Japan)	2.24	70,064
Pinturas Ecuatorianas S.A. and Distribuidora Americanas C.A. (Ecuador)	33-1/3	62,837
Pinturas Centro-Americanas (Costa Rica)	60	181,268
Pinturas Centro-Americanas (Guatemala)	64	309,542
Red V Coconut Products Ltd. (Philippines)	4	47,000
Sekisan Paint Mfg. Co. (Japan)	25	69,500
Glidden Salchi S.p.A. (Italy)	100	1,204,776
Shave Holdings Limited (South Africa)	10	19,050
Galvanizadora Centro-Americana, S.A. (Guatemala)	51	306,000
Lackwerke Wulfing GmbH & Co. (Germany)	33-1/3	1,237,500
Plastikart, Ltd. (Costa Rica)	5	2,117
Compagnia Tecnica-Imprese Verniciа Tura S.p.A. (Italy)	51	245
Compania Centro-Americana de Conservas, S.A.	71.428	226,586
		$3,768,685

VI. Other Major Functions and Items

D. Foreign Business (Continued)

Glidden International, C.A.

1. Glidden Panama, S.A. - Glidden International, C.A. held 1,000 shares representing 100% control. The Company was operating as a paint branch and was carried at an investment cost of $20,000. The Company earned $73,194 in 1966, compared with $74,318 in 1965. In addition to purchases from U.S. paint plants, the Company is also supplied by a sister company, Fabrica de Pinturas Glidden, S.A.

2. Fabrica de Pinturas Glidden, S.A. first started operations in 1964 supplying part of the paint needs of Glidden Panama, S.A. Glidden International, C.A. holds 1,250 shares of stock, representing 100% control. The retained profit of this company, after deduction of certain expenses (principally interest on its indebtedness to The Glidden Company) amounted to $58,498 in 1966, compared to $45,207 in 1965.

3. General Paint Company de Mexico, S.A. - Glidden International, C.A. held all 50,000 issued and outstanding shares of stock of this Company having a net book cost of $246,356. The Company incurred a net loss of $4,820 in 1966, compared with a net loss of $7,580 in . Deteriorating prices in the Mexican paint market, increased raw material prices, interest on indebtedness, and a technical service fee arrangement with Industrias Glidden de Puerto Rico, Inc. contributed to the unfavorable results.

4. Glidden Chemie GmbH (Germany) - This German holding company was formed in fiscal 1961 to hold Glidden International's one-third interest in Lackwerke Wulfing GmbH & Co. Chemie's capitalization represented approximately one-fifth of its investment in Wulfing. The remainder of Chemie's investment in Wulfing originally was financed through loans from Glidden International, C.A. but in April 1963, $444,037 of this financing was transferred to Industrias Glidden de Puerto Rico, Inc. In fiscal 1964, the then-remaining financing of $356,000 was transferred to Glidden Panama, S.A. and an additional $150,000 financing was extended to Chemie by Glidden Panama. During fiscal year 1966, the total loans outstanding of $950,037 were transferred to The Glidden Company.

VI. Other Major Functions and Items

D. Foreign Business (Continued)

Glidden International, C.A.

5. Industrias Glidden de Espana, S.A. (Spain) - This inactive manufacturing subsidiary was formed in May, 1965 for future expansion of frit operations into Spain and Portugal. All 20 shares of outstanding common stock are held by Glidden International, C.A. at a value of $2,250. The extent of its operations at August 31, 1966 was to hold a 50% interest in Glidden Iberica, S.A.

6. Glidden Iberica, S.A. (Spain) - This company was formed in May, 1965 primarily to market frit in Spain and Portugal. Glidden International, C.A. holds 10 shares (50% of shares issued and outstanding) at a value of $1,125. The remaining 10 shares are held by Industrias Glidden de Espana, S.A. and also at a value of $1,125. Operations of this company were consolidated with Pemco-Bruges.

7. Glidden Curacao, N.V. - Glidden International, C.A. held all twenty shares of the outstanding stock of this Company with a net book cost of $200. The Company was used in 1962 to receive technical service fees from Group Developments, Ltd. of England. It was holding $25,000 from British Paints as deferred technical service fees pending outcome of the Ford Development work which was returned during fiscal 1966.

8. Industrias Glidden, S.A. de C. V. (Mexico) - Glidden International held all 20,000 outstanding shares and this investment was carried at its cost of $32,000. This corporate entity has never assumed an operating status. Shareholders' equity at August 31, 1966 totaled $33,146.

9. Ishihara Sangyo Kaisha, Ltd. (Japan) - At August 31, 1966 Glidden International, C.A. held 1,345,222 shares of this company's stock, a 2.24% interest. These shares are carried at a net cost of $70,064, the cost of an allotment of 504,458 shares acquired on November 1, 1962. The shares now held had a market value at March 31, 1966 of $334,497. A dividend of $16,708 was received by Glidden International, C.A. in 1966.

10. Pinturas Ecuatorianas, S.A. and Distribuidora Americanas, C.A. (Ecuador) - Glidden International, C.A. holds a combined 320 shares representing a one-third interest in both companies at a cost of $62,837. At August 31, 1966, Glidden International's share of stockholder equity was approximately $114,079 and technical service fees of $6,128 were received during 1966.

VI. Other Major Functions and Items

D. Foreign Business (Continued)

Glidden International, C.A.

17. Galvanizadera Centro-Americana, S.A. (Guatemala) - In February 1966, Glidden International, C.A. purchased 360 additional shares for a total of 3,060 shares. This represents a 51% interest at a cost of $306,000. A hot-dip sheet steel galvanizing plant began operations in September 1965. Glidden International's share of equity at August 31, 1966 was $379,465.

18. Lackwerke Wulfing GmbH & Co. (Germany) - Glidden International, through Glidden Chemie, holds a one-third interest in this company. In 1964, additional equity capital of $150,000 was invested in Wulfing, bringing International's total investment to $1,237,500. Glidden Chemie share of partnership equity at May 31, 1966 was $1,122,248. The difference between equity and net investment cost was occasioned by side payments to the Wulfing family for the excess of fair value over book value of assets, goodwill, and agreement not to compete. Chemie's share of the understatement of fixed assets was calculated to be $250,000.

19. Plastikart, Ltd. (Costa Rica) - On June 25, 1965, Glidden International purchased ten share for $2,117 which represnts 5% interest. Ninety per cent of the outstanding shares are held by Pinturas Centro-Americanas Costa Rica, Ltda. which gives Glidden International a controlling interest. The Company manufactures and sells fibre glass reinforced plastic products. At August 31, 1966 Glidden International's share of equity was $2,520.

20. Compagnia Tecnica-Imprese Verniciatura, S.p.A., (C.T.I.V.E.R.) (Italy) - This company was formed December 30, 1964 to perform industrial and maintenance painting services on a contract basis. Glidden International holds 51 shares of common stock or a 51% interest.

21. Compania Centro-Americana de Conservas, C.A. (Costa Rica) during fiscal 1966 this company was set up to acquire the assets of The Costa Rican Pineapple Company, Ltd. As of August 31, 1966 Glidden International, C.A. held at 42.9% interest at a cost of $226,586. GICA's interest is expected to reach 60-67%. Products are basically in fruit juice lines in Central America. At July 31, 1966, Glidden International's share of equity was $129,801.

VI. Other Major Functions and Items

D. Foreign Business - (Continued)

Industrias Glidden de Puerto Rico, Inc.

Sales of Industrias for 1966 were $5,369,285 with a net loss of $101,739. Trans-Caribe Supply Company, Reliable Water Heater Company and P. R. Obra were initially consolidated in fiscal 1965 and Reliable and Obra have ceased operations as of August 31, 1966.

Other comments concerning Industrias Glidden de Puerto Rico, Inc. may be found on Page 51 .

Net Sales (In Thousands)	1966	1965
Puerto Rican Paint Distribution Units	$2,241	$1,779 (a)
Trans-Caribe Supply	2,974	2,203
Reliable Water Heater	25	195
P. R. Obra	129	429
	$5,369	$4,606

(a) Net of Intercompany Sales to P. R. Obra.

Net Profit After Tax (In Thousands)	1966	1965
Puerto Rican Paint Distribution Units	$ (57)	$ 106
Trans-Caribe Supply	(146)(a)	48
Reliable Water Heater	161 (a)	(129)
P. R. Obra	94 (a)	(90)
Industrias Headquarters	(154)(a)	2
	$ (102)	$ (63)

(a) Reliable and Obra show a profit which is a write-off of their negative retained earnings to effect the closing of these two units. The loss on closing Reliable has been absorbed by Trans-Caribe and Obra by Industrias Headquarters.

VI. Other Major Functions and Items

D. Foreign Business - (Continued)

Industrias Glidden de Puerto Rico, Inc.

Industrias Glidden funds have been provided from borrowings from related companies. At August 31, 1965, the following were borrowings outstanding:

The Glidden Company	
To Industrias Glidden de Puerto Rico	$ 1,594,963
To Trans-Caribe Supply Company	800,000
	$ 2,394,963

Industrias Glidden de Puerto Rico, Inc. had three banking associations at August 31, 1965:

First National City Bank	Hato Rey, Puerto Rico
Union Commerce Bank	Cleveland, Ohio
Royal Bank of Canada	Hato Rey, Puerto Rico

E. Miscellaneous

Cost of the Annual Report this year was * cents each which was * cents more than last year. However, our Annual Report costs remain lower than companies of comparable size.

* - Not Available as of 11/18/66.

VII "Pooling of Interest" Acquisitions

	Net Sales	Net Profit Before Tax	Net Profit After Tax	Number of Shares of Common Stock Issued	Earnings Per Share Including Acq.	Earnings Per Share Excluding Acq.	Number of Shares of Common Outstanding at 8/31/66
Allied Foods & Zippy, Inc.	3,152,760	(405,897)	(405,897)	49,429	1.83	1.87	
Chris & Pitts Bar B-Q Sauce, Inc.	1,052,164	195,471	100,277	85,886	1.83	1.84	6,559,458
Polarized Meat Co.	5,990,041	656,463	336,766	256,470	1.83	1.85	
TOTAL	10,194,965	446,037	228,817	391,785	1.83	1.90	6,559,458

The above the effect in Earnings per share of acquired companies handled as "poolings of interest" in fiscal year 1966. Computations were made by removing year end profit or loss (after Tax effect) and reducing number of shares of common stock outstanding and recomputing earnings per share.

The net effect shows that earnings per share was reduced by .07¢.

D. E. ERSKINE

Distribution:

Mr. Dwight P. Joyce
Mr. B. W. Maxey
Mr. William G. Phillips
Mr. G. S. Warner
Mr. P. W. Neidhardt
Mr. J. H. Lathe
Mr. R. W. Patterson
Mr. R. K. Dutton
Mr. G. W. Reid
Mr. R. E. Dorfmeyer
Mr. R. H. King
Mr. C. P. Fitzgerald
Mr. R. H. Seehausen