CONDENSED CONSOLIDATED BALANCE SHEET

THE GLIDDEN COMPANY : CLEVELAND, AND SUBSIDIARIES

At the Close of Busines, December 31st, 1920

ASSETS

Current			
Cash on Hand, on Deposit and in Transit		$625,713.52	
U. S. and Canadian Government Bonds (Par Value)		5,750.00	
Customers' Notes and Trade Acceptances Receivable		177,064.89	
Customers' Accounts Receivable, Less Allowance for Doubtful Accounts, Discounts, etc.		2,542,639.60	
Approved Claims Against Insurance Companies for Fire Losses		149,725.07	
Miscellaneous Current Notes and Accounts Receivable, Creditors' Debit Balances, etc.		50,304.30	
Inventories—Raw, In Process and Finished Merchandise on Hand and In Transit	$8,878,731.16		
Less: Allowance Provided by the Company to Reduce to Replacement Cost at Dec. 31st, 1920	1,077,423.60	7,801,307.56	$11,352,504.94
Other Assets			
Employees' Notes for Capital Stock Subscriptions (Contra)		$157,916.60	
Steel Drums (Depreciated Book Value)		151,653.87	
Real Estate Not Used in Operations		9,303.04	
Miscellaneous Stocks and Bonds, Claims Against Common Carriers, Salesmen's Advances, Miscellaneous Accounts, etc.		115,349.37	434,222.88
Permanent			
Land		$1,488,902.07	
Buildings, Machinery, Equipment, etc.	$7,200,417.52		
Less: Allowance for Depreciation	602,975.19	6,597,442.33	
Unfinished Construction		66,203.18	8,152,547.58
Good Will, Trade Marks, Leaseholds, Etc.			876,783.82
Deferred			
Reorganization and Development Expense		$391,361.70	
Prepaid Interest, Unexpired Insurance Premiums, Advertising Stock, Stationery, etc.		448,677.42	840,039.12
			$21,156,098.34

(*Note A*) In respect of the Companies' contractual situation at December 31st, 1920, information obtained by us, substantiated by certification by an official, indicated that the cost of undelivered materials on purchase contracts at the prices specified, would amount to approximately only $275,000.00 in excess of the value of spot material computed at the then prevailing market prices. No provision has been made in the preparation of this Balance Sheet to cover any possible loss the Companies may have to sustain in the liquidation of these commitments, nor has provision been made to cover possible loss, due to difference in exchange rates, that may be sustained in transferring to domestic banks, Canadian funds amounting to $190,027.19 at December 31st, 1920.

LIABILITIES

Current			
Notes Payable for Borrowed Money		$5,170,000.00	
Notes Payable for Purchase of Properties, Payments Due During the Year 1921		153,156.25	
Due Bank for Cash Advanced on Employees' Notes for Capital Stock Subscriptions (Contra)		157,916.60	
Accounts Payable for Purchases, Expenses, Unpaid Pay Rolls, etc.		906,291.36	
Accrued Local Taxes, Interest, etc.		168,472.53	
Mortgage Payable of Subsidiary Company		25,000.00	
Dividends Payable		280,418.50	
Reserve for Federal Taxes and Contingencies		40,200.00	$6,901,455.29
Deferred			
Note Given in Connection with Acquisition of Capital Stock of Subsidiary Company		$540,000.00	
Notes for Properties Purchased, Installments Due Subsequent to Year 1921		211,096.28	751,096.28
Nominal			
Capital Stock—Minority Interest (The Glidden Stores Co.)			
Preferred—7% Cumulative			
Authorized and Issued	$500,000.00		
Less: Amount Owned by The Glidden Co.	440,500.00	59,500.00	
Common (No Par Value)			
Authorized, 10,000 Shares; Declared Value	$50,000.00		
Less:			
Held in Treasury $25,000.00			
Owned by The Glidden Co. 24,190.00	49,190.00	810.00	60,310.00
Capital Stock (The Glidden Company)			
Preferred—7% Cumulative			
Authorized	$7,500,000.00		
Unissued	721,900.00	$6,778,100.00	
Common (No Par Value)			
Authorized, 360,000 Shares.			
Issued, 322,845 Shares.			
Declared Value	$1,614,225.00		
Surplus	5,050,911.77	6,665,136.77	13,443,236.77
			$21,156,098.34

(*Note B*) The Companies were reported as being contingently liable at December 31st, 1920, on outstanding letters of credit in the amount of $31,690.20.

(*Note C*) Attention is directed to the fact that the provision made for Federal Taxes in the preparation of this Balance Sheet is subject to any necessary adjustment upon determination of the final liability of the Companies therefor.

GLD30241

CABLE ADDRESS "ERNSTAUDIT" NEW YORK

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CLEVELAND
CINCINNATI
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DETROIT

ERNST & ERNST

AUDITS AND SYSTEMS

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CLEVELAND

HANNA BUILDING

CHICAGO
MINNEAPOLIS
ST. PAUL
INDIANAPOLIS
DENVER
ST. LOUIS
KANSAS CITY
NEW ORLEANS
ATLANTA
DALLAS
FT. WORTH
HOUSTON

April 27th, 1921

Mr. Adrian D. Joyce,
President, The Glidden Company,
Cleveland.

Dear Sir:-

We have prepared and submit herewith Condensed Consolidated Balance Sheet setting forth the Assets and Liabilities of THE GLIDDEN COMPANY - CLEVELAND and SUBSIDIARIES, as of the close of business December 31st, 1920. The greater portion of Cash and Customers' Notes Receivable was either verified by actual count, correspondence or inspection or otherwise satisfactorily accounted for by us. Customers' Accounts Receivable are included as shown by trial balances submitted, the accuracy of which was tested by comparison with the recorded ledger balances. In the opinion of the management ample provision has been made for doubtful accounts, discounts, etc. Raw Materials and Merchandise Inventories were taken and priced under the direction of the management and have been certified to us as to quantities, prices and salability. Allowance of $1,077,423.60 has been provided to reduce the value of the Inventories to the basis of the lower of cost or market at December 31st, 1920. Provision has been made in this Balance Sheet for all ascertained liabilities of the Companies at December 31st, 1920, disclosed by the records examined and information obtained by us, the liability shown for notes, mortgage and land contract payable having been verified by direct correspondence with the recorded holders. Subject to the foregoing, WE HEREBY CERTIFY, that, in our opinion, based upon the records examined and information obtained by us and subject to any necessary adjustment upon determination of final liability for Federal Taxes, the accompanying Condensed Consolidated Balance Sheet is drawn up so as to correctly set forth the financial position of The GLIDDEN COMPANY - CLEVELAND and SUBSIDIARIES, at the close of business December 31st, 1920.

Very truly yours,

Ernst & Ernst

Certified Public Accountants

THE GLIDDEN COMPANY

EXECUTIVE OFFICES

ADRIAN D. JOYCE

CLEVELAND, OHIO

May 2, 1921

To the Stockholders:

In submitting the Annual Report of the fiscal year ending December 31,1920, I desire to call attention to the fact that during the first nine months of 1920 our Company had an unusually good operating profit showing. Before plant and equipment depreciation, and before dividends, our profits up to October 1st. amounted to about $2,100,000.

Beginning with October, and the general slump in all lines of business, we suffered an unusual drop in our sales and were unable to quickly control our expenses to avoid an operating loss for the balance of the year. In addition to this, owing to the rapidly declining prices of our basic raw materials, it was necessary, in order to meet competition, to figure our prices on replacement costs so that during October, November, and December we suffered a very considerable loss from this source. As a result, our operating profit on December 31, 1920 before provision for depreciation and allowance for reduction of inventories, and before dividends was reduced to $1,189,195.76. Having paid dividends during the whole of 1920 on both our Preferred and Common Stock, our operating profit was virtually wiped out. In computing our inventories on December 31,1920 on the basis of the lower cost or market, our assets suffered an additional shrinkage of $1,077,423.60.

I feel that our Company is to be congratulated on coming through this unusual period in such satisfactory shape as is indicated by the Balance Sheet submitted herewith.

Our sales since January 1st, have shown a steady increase and we are very rapidly liquidating our inventories. Our sales for 1920 amounted to over $21,000,000 without counting the interhouse sales. Our Company is well organized to meet new conditions, and during the past few months, with the splendid cooperation of our entire organization, we have undertaken and carried out a successful campaign to reduce our overhead, and to get greater efficiency in operation. The results have been most satisfactory, and not only have we succeeded in reducing our overhead expense substantially, but we have brought our entire organization to a higher plane of efficiency, which I am confident will result in renewed energy and personal interest that will mean good earnings for our Company.

I am happy to pay this tribute to the personnel of The Glidden Company for I feel that the loyal support and cooperation of our employees is one of the Company's most valuable assets.

Yours truly,

Adrian D. Joyce
President.

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