89th ANNUAL MEETING

OF THE

NATIONAL PAINT AND COATINGS ASSOCIATION, INC.

October 25-27, 1976
The Washington Hilton Hotel
Washington, D.C.

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Opening General Session
Monday, October 25, 1976

Band Playing:

R.A. Roland (Presiding): The convention will now come to order. Will the delegates please clear the aisles and take their seats.

Ladies and gentlemen, fellow delegates, distinguished guests, it gives me great pleasure to welcome you to the 89th Annual Meeting of the National Paint and Coatings Association. I would now like to call upon the Reverand Peter G. Winterble of St. Johns Church in Georgetown to deliver the invocation. Will you please stand.

Invocation:

Thank you Reverand Winterble.

This convention is honored to welcome the Mt. Vernon Guard, under the direction of John Charles Harris. As you will see, the Guard is a unique Fife and Drum Corps composed of young boys 8 to 14 years of age, most of whom live in the area which formerly comprised the estate of George Washington. Fellow delegates, please join me in giving a warm welcome to the Mt. Vernon Guard.

Guard Performs:

Fellow delegates, let's show our appreciation to the young men and women of the Mt. Vernon Guard and Mr. John Charles Harris, their director. Thank you.

At this distinguished convention we have many leaders of industry to share the problems and aspirations of the coatings industry here with us. I would like to introduce some of those fine American distinguished industry leaders to you.

From the Federation of Societies for Coatings Technology their President, William Dunn, their President-Elect, Neil Estrada, their Treasurer, John Oates, and their Executive Vice President, Frank Borrelle.

From the Painting and Decorating Contractors of America, their Asst. Executive Director, William C. Belforte.

From the National Decorating Products Association, their President, Carl Movrich, and their Executive Vice President, Bob Petit.

From the Paint and Wallpaper Dealers Association of Greater New York, their Executive Director, Jack Faber.

And our neighbors to the North, from the Canadian Paint Manufacturers Association, their President, Jim Hanson, and their Executive Vice President, Eric Barry.

Will the delegates please give these guests a warm welcome!

We are extremely pleased and honored to have with us at this convention a delegation from across the seas, the European Paint Manufacturers Association and their National Committee. The federation of associations represents every country outside of the Iron Curtain. Let me introduce them to you now, ask them to stand, but hold your applause please until they have all been introduced.

From Belgium's European Committee of Paint, Varnish and Printing Ink Manufacturers, the Secretary General, Georges Biva and his lovely wife, Monique.

From Denmark, the Director of the Association of Denmark's Paint and Color Industry, Ib Skov Larsen.

From Belgium, Secretary of the I.V.P., Jean-Francois de Kleermaeker.

From Denmark representing the Danish Paint and Lacquer Manufacturers, Inc., Dr. Charles Hansen.

From France, the Director of the French Federation of the Paint, Varnish and Color Industries, Pierre Pierremont.

From Germany, the Managing Director of the Association of the Paint Industry, Gerhard Beckmann, and his lovely wife, Ilse. And their Director, Manfred Bode.

And from the Association of the Mineral Colors Industry in Germany, their Director, Hanns-Adolf Lentze.

From Italy, the Director of the National Association of the Chemical Industry, Carlo Crisafulli.

From The Netherlands, the Secretary of the Association of Paint and Varnish Manufacturers & Association of Color and Printing Ink Manufacturers, Ralph J. Wijnands.

Representing Sweden, the Director of the Swedish Association of Paint Manufacturers, Carl-Eric Dahlquist.

And from Switzerland, the Director of the Association of Swiss Paint and Color Manufacturers, Dr. Emil Straub.

Please welcome our guests.

We are also extremely pleased to have some other representatives from the coatings industry from other countries. Welcome if you will from Great Britain Dr. Leslie Valentine from Berger, Jenson & Nicholson Ltd., and with him Dr. Phillip Medcalf from Berger, Jenson & Nicholson in Great Britain.

From Germany, a dear friend of ours we have worked with for many years, Dr. Ellen Wiederhold and Hans Jergen Alleweldt from the Hermann Wiederhold Co.

And I suppose they are more family than visitors, but they do come from cross the waters, all the way from Bermuda, the Managing Director of Verlan Limited, John Gladwin and lovely wife, Liz.

At this time, I would ask the delegates to receive the report from the Treasurer of the National Paint and Coatings Association, the Honorable Ray Stevens.

Raymond D. Stevens (Treasurer's Report): Mr. Chairman, fellow delegates, it is my pleasure to give you the Treasurer's Report at this distinguished convention.

I am happy to report to you that your Association, for the first nine months of our calendar year, had income of $1, 263,325 including interest of $11,227. Expenses for the nine months were $1,286,069, leaving excess expenses over income of $22,744. It is anticipated that we will finish the calendar year with a deficit as a result of special occupational health research projects and other necessary projects.

Our surplus on September 30, 1976, was $1,115,517, of which $617,701 is cash, savings and treasury bills. The balance of our assets is in securities, accounts receivable, building, investment in Verlan, etc.

The statement as herein given is an interim statement. The Accounts of the Association will be audited by Ernst & Ernst at the end of the calendar year. T heir audit report will be included in our published Annual Report and mailed out to the membership.

Thank you, Ray.

At this time, I would ask Bus Brown to bring us the Report of the Nominating Committee.

Clinton S. Brown (Nominating Committee Report): Mr. Chairman, Gentlemen: The By-Laws of your Association require that the preliminary report of the Nominating Committee shall b presented at the first business session of our 89th Annual Meeting. Therefore, your Nominating Committee has the honor to present the following ticket for the elective officers in question:

For a one-year term:

Chairman of the Board: Mansel O. Wiley
Celanese Coatings & Specialties Co., Louisville, Ky.

Vice Chairman of the Board: Raymond D. Stevens, Jr.
Pratt & Lambert, Inc., Buffalo, N.Y.

Treasurer: Robert M. Cox
The Gilbert Spruance Co., Philadelphia, Pa.

Regional Vice Presidents:

New England Zone: William R. Holmes
D.H. Litter Co., Inc., Ballardvale, Ma.

Eastern Zone: John Emmerling
Lenmar Lacquers, Inc., Baltimore, Maryland

East Central Zone: James H. Duggins
Ashland Chemical Co., Div. of Ashland Oil, Indianapolis, Ind.

West Central Zone: William R. Hentzen
Hentzen Chemical Coatings, Inc., Milwaukee, Wis.

Southern Zone: Stephen C. Gester
Hanna Chemical Coatings, Birmingham, Ala.

Southwestern Zone: Robert H. Arnold
Cook Paint & Varnish Co., Houston, Texas

Western Zone: Merrill E. Evans
Lilly Industrial Coatings, Inc., Montebello, Ca.

For a three-year term - Board of Directors:

Class A:

John L. Armitage
John L. Armitage & Co., Newark, N.J.

W.A. Bours III
E.I. duPont de Nemours & Co., Inc., Wilmington, Del.

John S. Ayres
Cook Paint & Varnish Co., Kansas City, Mo.

C. Angus Wurtele
The Valspar Corp., Minneapolis, Minn.

Wm. E. Hood
Indurall Coatings Inc., Birmingham, Ala.

Harold Weinberg
Kwal Paint, Inc., Denver, Colorado

Keith C. Vander Hyde
Guardsman Chemicals, Inc., Grand Rapids, Mich.

Richard D. Radford
Conchemco Coatings, Shawnee Mission, Kansas

Samuel Cabot
Cabot's Stains, Div. of Samuel Cabot, Inc., Boston, Ma.

Class B:

F.X. Dwyer
Tenneco Chemicals, Inc., Saddle Brook, N.J.

W.O. Nicoll
Hercules Incorporated, Wilmington, Del.

James D. Hembree
Dow Chemical Co., U.S.A., Midland, Mich.

For a two-year term - Board of Directors:

Class A:

Richard J. Eckart
Sapolin Paints Inc., Danbury, Conn.

Mr. Chairman, no action is required by the 89th Annual Meeting at this time. The final report of your Nominating Committee will be presented at the closing session on Tuesday.

This report is respectfully submitted by: Clinton S. Brown, Chairman, National Mfg. Corp.
W.A. Bours III, E.I. duPont de Nemours & Co., Inc.
R.G. Bull, The Sherwin-Williams Company
Peter Fass, Reichhold Chemicals, Inc.
William C. Lowrey, Shell Chemical Co.
Mansel O. Wiley (ex officio), Celanese Coatings & Specialties Company

Thank you, Bus.

Anyone desiring to present resolutions before this Annual Meeting should propose them in person, to the Resolutions Committee before the Final Business Luncheon tomorrow. This Committee is chaired by Bill Bours of duPont.

Other members on the Committee are Bus Brown of National Manufacturing Corp. and Dick Bull of Sherwin-Williams.

It is that time when I have the distinguished honor of introducing to you the Permanent Chairman of our convention session this morning. We have looked far and wide throughout the industry to find a man who is qualified to come before you and lead this great gathering at this convention today. We have gone to a man who is the father of our Association, the man who possesses more firsts than anyone in the industry. He was the first man to make paint in an Amoco gas station; the first man to use a talking chicken to sell paint, he is the first President of our Association, he is the centerfold boy for Rebel Yell Bourbon, the good old boys' good old boy, Colonel Billy Hood.

Band Plays "Dixie":

Billy Hood: I want to thank you for playing the "Battle Hymn of the Republic." Jimmy Carter sent a message. He said he feels very close to the paint industry and he wants you to know that Mary Carter is not his sister, but his mother.

I am deeply honored to have been selected as Permanent Chairman of this convention.

We are assembled now to hear the keynote of our convention. Our speaker must reflect both our peoples discontent and their desires. Everywhere we turn there are massive and different centers of power in government and in business. Everywhere there is regimentation. Everywhere there are forms and rules and papers--there is less and less room for that quality which built this country--the exercise of the free human spirit. Internationally known as an authority on dynamic inaction and prodigious pondering, our speaker founded the National Association of Professional Bureaucrats--NATAPROBU for short. Its moto is, "When In Charge, Ponder ... When In Trouble, Delegate ... When In Doubt, Mumble." He ran for President in 1972 as the Bureaucrats Candidate on the platform of more red tape. A native of Texas, our speaker holds a Ph.D. in History, Philosophy, and Education from the University of Texas.

Ladies and gentlemen of the convention, I give you our keynote speaker, Dr. James Boren.

Dr. James Boren (Keynote Address): Speech not available at speaker's request.

Billy Hood: Thank you Dr. Boren. Will the delegates please come to order.

It would now be in order for the Chair to receive the report of our Platform Committee. To give this report I ask you to welcome the outgoing Chairman of the Board of the Association, from one of the original 13 colonies, the Great State of New Jersey, Mr. John Armitage.

John L. Armitage (Platform Committee Report): Mr. Chairman and fellow delegates, we meet here today to adopt a Platform outlining the past accomplishments and future goals of our Association. The Platform Committee has put together a Program which I am sure you will agree, is outstanding. It is a winning program, a blueprint for a better informed and politically astute industry in the years ahead.

For too long, we have stood by and watched our rights slowly eroded by bureaucratic intervention in our companies.

For too long, we have seen our tax dollars wasted through mismanagement and misued powers.

For too long, we have stood silent as so-called consumer advocates have tried to smear the name of business before the American public.

It is now time for our industry to make its voice strongly heard in the public arena. We can no longer afford to sit back and watch, to wait and see. The time is now to get involved, to learn more about our industry, to use this knowledge to fight against arbitrary regulations or legislation, and to make our positions clear to both the American people and our representatives. We can only do this through you; the National Paint and Coatings Association needs Your help to make our Platform work. We need your involvement now.

Your Platform Committee has two programs to propose today which will, first, give us the information we vitally need about our raw materials and products, and second, give us a better means to express our views before Congress.

Harry S. Truman said, "The Platform is the Party's contract with the people." Well, this Platform is NPCA's contract with you, our members. In return for your help and your support on these programs, we at the Association make certain promises to you.

We pledge to continue representing your views vigorously before regulatory and legislative bodies.

We pledge a concerted effort to see that any laws enacted are based on fair, technical and legally correct considerations.

We pledge an Association which will negotiate, but which is equally mindful that there are certain principles which cannot be compromised.

In other words, we pledge to continue doing the best job possible to represent your interests and solve your problems.

Mark Evans, now the U.S. Ambassador to Finland, once told this Convention that Democracy ordinarily reacts. It works on the basis of outside pressures and forces. We in industry have traditionally reacted to the Government's reactions. At best, this has put us in a continually defensive position.

But all of industry is changing. So is the Paint and Coatings industry. We are beginning to lead Government, rather than react to it, and I think that three issues which the paint industry has grappled with over the years illustrates this evaluation.

The First Issue Is Lead.

In this area, NPCA has long been an agressive advocate, supporting the finding in December, 1974 by CPSC Chairman Simpson, that the 0.5% level of lead in paint is safe. We have opposed extensive efforts on many fronts to impose an arbitrary 0.06% level on the industry, which would mean, of course, the elimination of lead in residential paint products.

Many times, Bob Roland has gone before Congress and regulatory agencies to explain the industry's position on lead in paint. We have pleaded for regulations based on sound, technical data.

Just recently, we testified before the Consumer Product Safety Commission, arguing for a "no lead added" Standard and a 0.2% regulatory limit, if the Commission concludes in its current review that a lead Standard below 0.5% must be established.

We don't know what the Commission will finally decide in late December. I even hesitate to use the word "final". The lead-in-paint issue has been pending for a long time. There have been times when we thought that at last, the issue was decided, only to have renewed opposition appear in another area. The proponents of the 0.06% Standard have been tenacious. But we have also been tenacious. Unfortunately, this is one area in which the weight of expert scientific opinion, as perceived by the National Academy of Sciences, has been against us.

In addition, most of the opposition who testified at the recent CPSC Lead Hearings, insisted that any lead intentionally added to residential paint products is a hazard.

Will we lose the lead issue? Will we lose its use in residential paints?

Perhaps.

But we gained almost six years in which to prepare our operations for a lowering of the Standard, if it becomes necessary.

There have been tremendous pressures from many sides for us to accept the lower Standard. But it has always been our contention that laws and regulations must be based on sound, technical and scientific evidence. Unfortunately, the lead poisoning evidence to date is emotionally persuasive, but not scientifically conclusive; we lack the resources for an adequate scientific challenge.

The mercury situation is another important issue in which your desires have been strongly advocated by NPCA.

The struggle over the use of mercury compounds in paints goes back four (4) years to 1972. At that time, the Environmental Protection Agency cancelled the registrations of all pesticidal uses of mercury. Some industry suppliers reacted--there's that word again--by appealing the cancellations. That appeal started the long, tedious route of deciding the issue by Administrative procedure. We filed briefs, we testified, and we listened. So did some of our members. NPCA spent literally thousands of hours on the mercury issue, including months tied up in day-long proceedings, listening to and questioning participants.

And we cooperated in research on the effects of phenylmercuric compounds on the environment, the results of which supported NPCA's belief that the phenylmercuric compounds used by the paint and coatings industry do not endanger our environment or our health. This was our position and we repeated it in filing after filing.

Our years of effort seemed to pay off when, in December 1975, the EPA Administrative Law Judge for the proceedings released his decision. Judge Levinson ruled that the Paint and Coatings Industry should be allowed to continue its use of phenylmercurials in latex paint products. However, our victory celebration was brief.

The Judge's decision was still subject to the review of the EPA Administrator. And in February, the Administrator made his decision, one which caught the entire industry by surprise. Administrator Train overruled the Judge's decision and cancelled the registrations for all pesticidal uses of mercury in all paints.

Here is where our role in the proceedings changed. We could have quietly accepted the defeat, but we had a principle to support and an industry to protect. Government actions should be based on sound, technical grounds. We felt that the decision to cancel the registrations of mercury was an arbitrary, uninformed, arrogant abuse of administrative power.

And we said so the next day in a press conference at Association Headquarters. We also announced our intention to join with the principal suppliers of mercury to the industry in a suit filed in the U.S. Court of Appeals.

This initiative, coupled with the filing of a motion to reconsider with EPA, induced the EPA Administrator to agree to look at his mercury decision again.

In his final decision issued in May, Administrator Train admitted that he had "erred" in his original decision and reinstated the registrations of mercurial pesticides in latex paints.

We had taken a strong leadership position and we had won an important decision for you and your customers.

Earlier you heard me mention how the Association needs your involvement to make our Platform work. Individual member companies and their people have been substantially involved in both the lead and mercury situations. Your support was a very important plank for any success we had. And in one area specifically, it has been your support which may have been the only reason we succeeded. I am talking about the newly enacted Toxic Substances Legislation.

After the Legislation was introduced again this year, Association staffers had meetings with Congressional members and staff from the various Committees involved in writing the Toxic Substances Control Act. We tried to get language changes; we represented your views. But Washington is a town where the pressure for change usually comes from the outside. It comes from the people who elect the members of Congress, still the most effective way to obtain changes in legislation.

The NPCA staff did all it could, but it needed your help. We asked for it, and you responded admirably.

You wrote letters, you made phone calls, you got involved. We succeeded in getting specific language changes in the legislation which will help us considerably. Many Congressional staff members told NPCA that, because of the response and letters from their constituents, they were able to see that the paint industry had unique problems with the legislation. They understood what we at NPCA had been trying to tell them only because you told them.

It is this kind of grassroots involvement and commitment to action that brings me to the first plank in our Platform.

To begin to restore the shaken faith of many of us in this industry--that the governmnet in Washington is our government--responsive to our needs and desires--government decision making must be reopened to our advocacy and participation. Our grassroots program is an example of one method. An additional means for individuals--not companies--to participate effectively in governmnet is through a formal political action Committee.

In September, NPCA sponsored the formation of the Paint and Coatings Political Action Committee or, as we call it, PACPAC. PACPAC, whose funds will be maintained spearately from NPCA's is dedicated to protecting preserving and strengthening the American free enterprise system, and the Paint and Coatings Industry. It is your political contribution conduit to Washington.

How will PACPAC work? First, it is voluntary and non-partisan.

The Committee will promote and encourage the personal and financial participation of its individual members in the elective process. PACPAC will pool the contributions it receives from individuals and make campaign contributions to political candidates in federal, state and local elections who share the political, social and economic views of the paint and coatings industry. Here are some of those views.

We believe that government regulation and bureaucratic interference in the lives of American business and industry--our industry--must be reduced. The programs and activities of government should be required to meet strict tests of usefullness and effectiveness.

The average businessman and employer is being overwhelmed by unnecessary government-required paperwork. We support legislation to control and reduce the burden of federal paperwork. We intend to support candidates who feel that way too.

What we have today is a government organization that doesn't make sense. When I look at some of the forms to fill out and procedures to follow, I sometimes feel like a character in a Lewis Carroll story. As Tweedledee said, "If it was so, it might be; and if it were so, it would be; but as it isn't, it ain't. That's logic."

And that statement is as logical as some of the government meddling I've seen. We are intensely aware of our obligations to protect our environment and provide safe working conditions and products in our industry. At the same time, we must prevent the loss of jobs for our employees and the closing of business through unrealistic or overrigorous regulations which create severe economic burdens.

We support an approach that promotes a strong economy, provides jobs for American workers, and recognizes the importance of business profits.

No one decreed for government bureaucracy to grow as it has. It just happened, with little design or planning. Well, it is time that the business community let Washington know that it has had enough bureaucracy and inefficiency. It is time we put our representatives in office. It is time we make our representatives responsive to our needs. I hope each of you will exercise your responsibility and vote on Election Day with some of these thoughts in mind.

Organized labor learned that politics was its business over thirty years ago. Labor led the way for Political Action Committees. We must now make politics our business. You know, the Ancient Greeks had a word for those who took no part in politics. That word was idiot. Well, we can't afford to be idiots about politics any longer.

That's why we created PACPAC. That's why we need your help. You'll hear more about it from NPCA soon.

But just presenting our views to Congress and the Regulatory Agencies is not enough. We need information to back up our views. We need facts to present to the law makers and regulators.

And that brings me to the second plank in our Platform, one which you will have to vote on at the Business Session tomorrow. I am speaking about our Occupational Health Research Program and the proposed dues increase which we need to fund it.

Our industry is facing a challenge of unprecedented proportions it is imperative that we know more about the effects of coatings products and their ingredients on workers and the work environment.

The government, public, customers and workers are all demanding more toxicological data. Over the past two years, NPCA and your Executive Committee have investigated this need through a special Task Force and have concluded that a massive research Program is necessary. Unfortunately, the price tag for this Program is not cheap. The Occupational Health Research Program will cost in excess of $200,000 per year. To finance this Program, the Executive Committee has proposed a 15% dues increase because the monies are not available elsewhere in the budget.

You will decide tomorrow if we are to proceed with this Program.

The proposed studies involve an epidemiological study to Research Worker Health Records for any fatalities resulting from disease or illness which are inconsistent with the national average. A medical surveillance study will involve the development of forms and programs to enable a coatings manufacturer to document any health problems among his workers.

These medical surveillance forms and procedures could be used to monitor Occupational Health and conduct Field Tests, as well as to design a possible morbidity or disease study for later use.

The general environmental study involves the conducting of in-plant air samples to determine the amount and length of exposure of workers to specific materials.

Each of these studies will take approximately 19 months to complete.

Importantly, this is not a one-shot deal. These Programs are designed to be on-going. The epidemiological study may point to any suspected causative agents which could require further investigation. The Medical Surveillance Study will produce forms which will be used to keep a track record of worker health--a procedure now being required in many OSHA Regulations.

You know, in this Opening Session today, you've seen a lot of hoopla. The balloons, the signs, these are all part of an effort to make you believe that you are at a political convention. Even this speech has been tailored to that of a political campaign speech.

But this research program is not ballyhoo. It is vital to give us a leadership position. It will give us the ability to act, not react. We cannot afford not to have this information. And few of us could afford to do it alone. NPCA can and must--and with your vote tomorrow--will.

Before I introduce Billy Hood to give you the By-Laws Committee Report on the proposed dues increase, I would like to leave you with one thought.

It is a statement made by Edmund Burke in a letter written in 1795. It still applies today.

Mr. Burke wrote: "All that is necessary for the triumph of evil is for good men to do nothing."

Thank you.

I would now like to ask Billy Hood to give the Report of the By-Laws Committee.

W.E. Hood (By-Laws Committee Report): Ladies and gentlemen: As Chairman of the By-Laws Committee, I make the following report of proposed amendments to the Association's By-Laws.

1. Amend Article II, Section 3, Schedule of "A" Membership Dues and Schedule of "B" Membership Dues as follows:

SCHEDULE OF "A" MEMBERSHIP DUES

Sales Volume Classification			Dues					
Class	Sales in Excess of	But Not Exceeding	Base Dues	Plus Rate Per $1,000 Of Sales Over Base				
1	$ 1	$ 100,000	$ 230	-0-				
2	100,000	150,000	230+	$1.38	per	$1,000	over	$ 100,000
3	150,000	250,000	299+	1.27	per	1,000	over	150,000
4	250,000	500,000	426+	1.15	per	1,000	over	250,000
5	500,000	750,000	713+	1.10	per	1,000	over	500,000
6	750,000	1,000,000	989+	1.06	per	1,000	over	750,000
7	1,000,000	1,750,000	1,254+	.99	per	1,000	over	1,000,000
8	1,750,000	2,500,000	1,995+	.87	per	1,000	over	1,750,000
9	2,500,000	5,000,000	2,651+	.777	per	1,000	over	2,500,000
10	5,000,000	20,000,000	4,594+	.699	per	1,000	over	5,000,000
11	20,000,000	35,000,000	15,082+	.635	per	1,000	over	20,000,000
12	35,000,000	50,000,000	24,604+	.573	per	1,000	over	35,000,000
13	50,000,000	100,000,000	33,195+	.153	per	1,000	over	50,000,000
14	100,000,000	150,000,000	40,842+	.115	per	1,000	over	100,000,000
15	150,000,000	up	46,592+	.0761	per	1,000	over	150,000,000

SCHEDULE OF "B" MEMBERSHIP DUES

Sales Volume Classification			Dues					
Class	Sales in Excess of	But Not Exceeding	Base Dues	Plus Rate Per $1,000 Of Sales Over Base				
1	$ 1	$ 100,000	$ 207	-0-				
2	100,000	150,000	207+	$1.15	per	$1,000	over	100,000
3	150,000	250,000	265+	.86	per	1,000	over	150,000
4	250,000	500,000	351+	.71	per	1,000	over	250,000
5	500,000	750,000	529+	.62	per	1,000	over	500,000
6	750,000	1,000,000	684+	.55	per	1,000	over	750,000
7	1,000,000	5,000,000	822+	.39	per	1,000	over	1,000,000
8	5,000,000	10,000,000	2,386+	.31	per	1,000	over	5,000,000
9	10,000,000	20,000,000	3,939+	.159	per	1,000	over	10,000,000
10	20,000,000	50,000,000	5,526+	.078	per	1,000	over	20,000,000
11	50,000,000	up	7,872+	.039	per	1,000	over	50,000,000

No action is required by the 89th Annual Meeting at this time. This report will again be called to the attention of the Annual Meeting at the Final Business Session during the Men's Luncheon on Tuesday, at which time I will move that the amendment of these Articles, as set forth, be adopted by the membership.

Respectfully submitted: Wm. E. Hood, Chairman - Indurall Coatings, Inc.
Henry Behnke - Mautz Paint Co.
George S. Rattner - Paragon Paint & Varnish Corp.
Clyde L. Smith - Ameritone Paint Corp.
John L. Armitage (ex officio) - NPCA

Thank you.

Thank you, Billy. Ladies and gentlemen, copies of the proposed dues schedule were included in your registration packets and more are available.

And now I would like to thank you all as delegates, members, friends for showing up at the Opening Session of the NPCA convention. Thanks to the keynote speaker and thanks to our Chairman, John Armitage, and certainly our thanks to you. We stand adjourned.

Final Business Session
Tuesday, October 26, 1976

J.L. Armitage (Presiding): Gentlemen, may I have your attention please. Welcome to the final business session of this year's Annual Meeting.

As you know, the National Association is made up of 29 local associations. These local organizations are equally as important to the National Association as they are to those that make up their membership. Through this avenue flows information necessary to link local members with National as well as to inform them of items of specific interest. The local programs provide a method of interaction among their members--both educational and social. At this time I would like to introduce the local presidents that are with us today, and will ask that they remain standing until the end of all introductions to receive your warm welcome.

Alabama - Leo Ryan, Southeastern Steel Container Co.
Baltimore - Franklin Rodbell, Marvelite Paint Co., Inc.
Buffalo - Robert Hurley, National Manufacturing Corp.
Chicago - Sidney Heatley, Seymour of Sycamore, Inc.
Cincinnati - Robert Foy, Foy-Johnston, Inc.
Cleveland - Joseph Kingston, Glidden-Durkee Div., SCM Corp.
Florida - Fred Schuenaman, Davies Can Co.
Golden Gate - Peter Hess, The Flecto Co., Inc.
Houston - Merv Cron, Cron Chemical Corporation
Indiana - Jim Duggins, Ashland Chemical Div. of Ashland Oil, Inc. (NPCA Regional V.P.)
Louisville - Matt Tatum, Louisville Varnish Company, Inc.
Detroit - Joe Weschler, The Sherwin-Williams Co.
New York - Lou Ruckgaber, Jr., Egyptian Lacquer Mfg. Co.
Philadelphia - E.W. "Stretch" Kaufmann, E.W. Kaufmann Co.
Pittsburgh - Bill Tierney, Ciba-Geigy Corporation
Portland - Bud Schaedel, Lilly Industrial Coatings, Inc.
Puget Sound - Bill Smith, Preservative Paint Co.
St. Louis - Fred Weber, Jr., Archway Chemical & Supply, Inc.
Southern California - Jim Flinn, E.I. duPont de Nemours & Co., Inc.
Toledo - Dick Baldwin, Glidden Paint & Decorating Center
Virginia - Peter Hubicki, Sampson Paint Mfg. Co., Inc.
Wisconsin - Ronald Souders, Jensen-Souders & Associates, Inc.

Thank you, gentlemen.

We are all very pleased with the tremendous growth of Verlan Limited, our captive insurance company. At this time I will call on Verlan's President, Harry House, for his report.

Harry House (Verlan Report): Thank you very much, John. Gentlemen, it's a pleasure to be here today and to bring to you the annual report to the stockholders of Verlan Limited.

On September 1, 1976, Verlan began its seventh year of providing protection for the members of the National Paint and Coatings Association against the loss of property and loss of earnings. Just a year ago, when I gave this report to you, the stockholders of Verlan, I indicated that during the past five years, 73% of all total industrial fires were traced directly to faulty judgment and failure of individuals to follow correct procedures in loss control. 1976 so far is a year in which Verlan can trace 90% of its losses directly to faulty judgment and the failure of individuals to follow correct loss control procedures. Thus, we can see the value of Verlan's regional loss control seminars, which are held on a one-day basis, as well as Verlan's annual loss control seminar held in Chicago each year on a three-day basis.

In spite of this problem, we feel that we can look back and be pleased with the success of Verlan--not only during the past six years, with a loss ratio of less than 20% over that period of time, but we can be pleased with the continued progress that we see within the industry. This includes the modifying of existing plants, as well as the designing and the construction of modern facilities with built-in systems eliminating much of the hazard in the handling of flammable liquids, such as we use in the coatings industry.

1976 appears to be another year in which growth in new premiums written will approximate 30%. This involves a lot of work on the part of a lot of people. Since inception, we have insured 116 companies with over 270 locations.

Now I would like to take a moment to introduce to you some of the people that have made it all possible--some are new faces and some are familiar ones. We currently have a staff of ten full-time people. First I'll introduce John Gladwin, our Resident Manager in Bermuda. Some people have accused us of not having anyone in Bermuda. This is his first time in Washington and also the first time to attend one of these meetings.

Second, our Chief Engineer, Mel Harris, who has spent so many hours on Verlan's engineering program. Also, we have a young man who's spent a lot of time coming to see you people, along with myself, Larry Noble, our Director of Field Services. There are two new faces to introduce to you. Our new Assistant Director of Engineering Services, Jim Scott. Jim was a deputy fire marshal for the State of Maryland and brings a valuable background with him. The newest addition to our staff is our Staff Engineer, Allen Schwartz, who comes to us from the largest insurance brokerage firm in Baltimore and adds a new segment.

From the standpoint of statistics, it is interesting to note that during Verlan's first six years, we have visitied 70% of the manufacturing members of the National Paint and Coatings Association. Of this group, we have insured approximately 30%. Furthermore, of those companies for whom we have done engineering, we find over 60% of them requesting coverage from the captive insurance company for the coatings industry.

What these statistics all mean is that as of September 30, our projected annual gross written premiums for the year will approximate $1,300,000 providing protection for almost one-half billion dollars worth of insurable values of members of the National Paint and Coatings Association.

On April 25, 1976, approximately 20% of our policyholders arrived at the Castle Harbour Hotel in Bermuda to take part in the first policyholders meeting. It was a most enjoyable meeting, with participants seriously interested in bettering their operations through a more sophisticated approach to loss control within their own companies. For three days, the discussion periods were divided into two parts, with half of the discussion based on engineering guidelines and loss control, and the other half of the discussion based on the specifics of insuring a coatings operation beginning with property coverages and expanding into workmen's compensation, general liability, product liability, automobile and fleet coverages, and other miscellaneous coverages as time permitted. From the response we received, we are sure that when May 1 arrives in 1977, we will have an even larger turn-out for next year's policyholders meeting at the Elbow Beach Hotel and Surf Club in Bermuda.

Several important factors are involved in Verlan's success in underwriting risks for the coatings industry. In addition to industry-oriented engineering, we attribute our success in maintaining favorable loss ratios with our concern over insurance to value. Spiraling building costs have emphasized the need for frequent review of values to make certain that replacement cost requirements are met, thus eliminating the worry over penalties in case of loss. Increased costs of raw materials require the periodic review of inventory values for our manufacturing risks as well as to our warehousing and retail store operations. Beyond this, we feel that it is important that adequate values be provided for machinery and equipment. The solution to this problem is the utilization of appraisal services for the documentation of insurable values.

We insist that insurance to value be carried and, in fact, we have refused to write an account that wanted to carry insurance for approximately 50% of the value of their property.

Before renewing any coverage, we have a policy review procedure whereby staff members from the Field Service Department and staff engineers review the entire policy, discussing insurable values, compliance to engineering recommendations, and rate credits available as a result of plant facility improvement. We then make specific contact with the insured, indicating the need to review insurable values and suggesting the factors that should be used for each location to increase the amounts of insurance carried, in harmony with the increased costs of construction within a given area. This is to make certain that the insured is properly protected, and usually we find our insureds are appreciative of this personal attention to their insurance program.

Another factor in maintaining an excellent loss ratio is the imposition of deductibles for each location. Because of the very nature of the operations of the coatings industry, we are subject to flash fires while utilizing flammable liquids. Since insurance for the manufacturing operation should protect for the catastrophe, and not be a maintenance contract, we feel that the minimum $5,000 deductible used serves a very practical purpose in introducing loss control at the very fundamental base of the operation of a coatings plant. The amount of the deductible varies from one company to another, based on their cash flow and their corporate policy; however, each insured must take at least a $5,000 deductible, thus eliminating the maintenance-type claim and the swapping of dollars between the insured and the insurance company.

Finally, we believe that claims handling is important to maintaining a successful loss ratio. In the event of a claim under a Verlan insurance contract, provision is made for immediate contact with a local insurance adjustor who normally would be on the scene of the loss within a few hours to assist the insured with the clean-up and development of the claim. During the past year, we have had two insureds that have had flash fires, where their newly-trained fire brigade went into action so promptly that, in both cases, the fires were out before the fire departments arrived, and water damage was kept to a minimum because only a very few sprinkler heads went off.

If we are to do an effective job and accept the challenge of loss control, we first must recognize the "people problem." But here is also where the toughest challenge lies--though potentially it is the most rewarding--that is, if we can overcome the "people problem." You will recall that previously I mentioned a study of the largest losses in recent years indicating the contributing factor in 73% of the cases was human error. We must become better communicators and educators. If we accomplish this, we will become better managers of our vital resources. The attitude that management adopts and translates into procedures and action is a key element--but we cannot stop there. Somehow, we must convince line production people that effective loss control procedures must be enforced as a part of operating policy. It is in their own self interest!

This year impresses me as a good one to start breathing new life into the loss control effort. I am sure that all of you will recall the super-heated combination of inflation and industrial activity of 1974. Half of the work force was looking at how to cut costs and stretch out maintenance in order to keep manufacturing costs in line, and the other half was too busy to pay any attention to loss control.

In the coatings industry, it is evident that someone in every organization must be the "risk manager." His job is to convey the loss control message. Of course, we realize that any program has to be adapted to the particular needs of each corporation for each has its own personality.

During this year, we initiated the regional seminars and the policyholders meeting in an attempt to provide ongoing programs that can be adapted to the particular needs of each corporation. In addition to this, we have visual aides and other educational and training material which can better motivate line production people, and hopefully they will take personal pride in plant protection. We hope that all of those of you whom we meet will be completely frank as to what we should produce to aid the industry in furthering loss control concepts. Without a basic philosophy of loss control, we will not be able to expand this initial concept involving loss of property and loss of earnings into other aspects of your operation. What we are attempting to do is help to provide you with a means of setting aside enough seed money to be able to initiate new projects and programs which will benefit your total operations. Thus, a stable loss frequency pattern, preferably trending downward, is basic to the success of any enterprise of this kind.

The master key is loss control--the human aspects, the mechanical equipment aspects. Improved control of losses is the only way to achieve savings of any consequence.

Within the past few months, we have been made increasingly aware of the fact that product liability coverages are becoming more and more of a problem to the members of the National Paint and Coatings Association. We have assisted the NPCA staff in an effort to gather data from members of the Association to see just how severe the problem is, and to try to develop methods of solving the problem.

A significant number of NPCA members responded to the Product Liability Questionnaire in a very positive way--indicating their sincere desire for assistance in solving their product liability problems. With this support, I will recommend to the Verlan Board of Directors at our Annual General Meeting in Bermuda on November 15, 1976, that authorization be given to proceed with a full and in-depth feasibility study. This study will provide us with the information necessary for determining the best possible solution to this growing product liability problem.

Verlan is the logical base for such an industry study since our continuing challenge is to respond to the insurance needs of the coatings industry.

Thank you.

Thank you, Harry.

The next order of business concerns resolutions. Are there any to present at this time?

Now I'd like to ask Billy Hood of Indurall Coatings, and Chairman of our By-Laws Committee, for final action on the proposed changes.

W.E. Hood (By-Laws Report): At our opening session, as Chairman of the By-Laws Committee, I gave notice of the proposed amendments to the By-Laws of the National Paint and Coatings Association. The proposed amendments are as follows:

1. Amend Article II, Section 3, Schedule of "A" Membership Dues and Schedule of "B" Membership Dues as follows:

SCHEDULE OF "A" MEMBERSHIP DUES

Class	Sales in Excess of	But Not Exceeding	Base Dues	Plus Rate Per $1,000 Of Sales Over Base				
1	$ 1	$ 100,000	$ 230	-0-				
2	100,000	150,000	230+	$1.38	per	$1,000	over	$ 100,000
3	150,000	250,000	299+	1.27	per	1,000	over	150,000
4	250,000	500,000	426+	1.15	per	1,000	over	250,000
5	500,000	750,000	713+	1.10	per	1,000	over	500,000
6	750,000	1,000,000	989+	1.06	per	1,000	over	750,000
7	1,000,000	1,750,000	1,254+	.99	per	1,000	over	1,000,000
8	1,750,000	2,500,000	1,995+	.87	per	1,000	over	1,750,000
9	2,500,000	5,000,000	2,651+	.777	per	1,000	over	2,500,000
10	5,000,000	20,000,000	4,594+	.699	per	1,000	over	5,000,000
11	20,000,000	35,000,000	15,082+	.635	per	1,000	over	20,000,000
12	35,000,000	50,000,000	24,604+	.573	per	1,000	over	35,000,000
13	50,000,000	100,000,000	33,195+	.153	per	1,000	over	50,000,000
14	100,000,000	150,000,000	40,842+	.115	per	1,000	over	100,000,000
15	150,000,000	up	46,592+	.0761	per	1,000	over	150,000,000

Sales Volume Classification / Dues

SCHEDULE OF "B" MEMBERSHIP DUES

Class	Sales in Excess of	But Not Exceeding	Base Dues	Plus Rate Per $1,000 Of Sales Over Base				
1	$ 1	$ 100,000	$ 207	-0-				
2	100,000	150,000	207+	$1.15	per	$1,000	over	100,000
3	150,000	250,000	265+	.86	per	1,000	over	150,000
4	250,000	500,000	351+	.71	per	1,000	over	250,000
5	500,000	750,000	529+	.62	per	1,000	over	500,000
6	750,000	1,000,000	684+	.55	per	1,000	over	750,000
7	1,000,000	5,000,000	822+	.39	per	1,000	over	1,000,000
8	5,000,000	10,000,000	2,386+	.31	per	1,000	over	5,000,000
9	10,000,000	20,000,000	3,939+	.159	per	1,000	over	10,000,000
10	20,000,000	50,000,000	5,526+	.078	per	1,000	over	20,000,000
11	50,000,000	up	7,872+	.039	per	1,000	over	50,000,000

The above amendments have been recommended by the Board of Directors, after submission to the Board by the By-Laws Committee, which is comprised of the following:

Wm. E. Hood, Chairman - Indurall Coatings, Inc.
Henry Behnke - Mautz Paint Co.
George S. Rattner - Paragon Paint & Varnish Corp.
Clyde L. Smith - Ameritone Paint Corp.
John L. Armitage (ex officio) - NPCA

Thank you, Billy. Is there a second to the motion? Is there any discussion?

Question from floor summarized by Armitage: Why a dues increase instead of a special assessment to pay for the Occupational Health Research Program?

Armitage response: I assure you this was considered but we felt that it was not the right road because we didn't know where we would be after the initial 38-month program and study were completed. I assure you that if any surplus is built up, your dues will go down.

Question from floor (tape did not pick up):

Armitage response: I don't know if the question is that we should be getting more dues than we are or ... Actually we are getting a little bit less than 6% because of the sliding scale. As you know prices have gone up, and I think again it is obvious that raw material prices are continuing at a rate that is above our own selling prices. But, again I have to remind you that the major cost of running the Association is in salaries, and we have been doing very little more than meeting cost of living increases which are averaging 5%.

(Mr. Roland interjected a statement explaining the sliding scale on the dues schedule, i.e., the larger the sales, the lower the percentage for dues, and also explained that a different and lower scale is used for the Class B or raw material supplier members.)

Armitage: All those in favor please signify by saying "aye": opposed? The motion is carried. I think this is a vote of confidence for what NPCA is doing.

I'd like to call on Bus Brown, Chairman of our Nominating Committee, to give us the final recommendations for this year.

Clinton S. Brown (Nominating Report): Mr. Chairman, Gentlemen: Your Nominating Committee has the honor to present its final report to our 1976 Annual Meeting.

Inasmuch as no further nominations have been made, we present at this time the slate of elective officers to be filled as originally presented at the opening session of the Annual Meeting as follows:

For a one-year term:

Chairman of the Board: Mansel O. Wiley
Celanese Coatings & Specialties Company, Louisville, Ky.

Vice Chairman of the Board: Raymond D. Stevens, Jr.
Pratt & Lambert, Inc., Buffalo, New York

Treasurer: Robert M. Cox
The Gilbert Spruance Co., Philadelphia, Pa.

Regional Vice Presidents:

New England Zone: William R. Holmes
D.H. Litter Co., Inc., Ballardvale, Ma.

Eastern Zone: John Emmerling
Lenmar Lacquers, Inc., Baltimore, Md.

East Central Zone: James H. Duggins
Ashland Chemical Co., Div. of Ashland Oil, Inc., Indianapolis, Ind.

West Central Zone: William R. Hentzen
Hentzen Chemical Coatings, Inc., Milwaukee, Wisconsin

Southern Zone: Stephen C. Gester
Hanna Chemical Coatings, Birmingham, Ala.

Southwestern Zone: Robert H. Arnold
Cook Paint & Varnish Co., Houston, Texas

Western Zone: Merrill E. Evans
Lilly Industrial Coatings, Inc., Montebello, Ca.

For a three-year term:

Class A:

John L. Armitage
John L. Armitage & Co., Newark, N.J.

W.A. Bours III
E.I. duPont de Nemours & Co., Inc., Wilmington, Del.

John S. Ayres
Cook Paint & Varnish Co., Kansas City, Mo.

C. Angus Wurtele
The Valspar Corp., Minneapolis, Minn.

Wm. E. Hood
Indurall Coatings Inc., Birmingham, Ala.

Harold Weinberg
Kwal Paint, Inc., Denver, Colorado

Keith C. Vander Hyde
Guardsman Chemicals, Inc., Grand Rapids, Mich.

Richard D. Radford
Conchemco Coatings, Shawnee Mission, Kan.

Samuel Cabot
Cabot's Stains, Div. of Samuel Cabot, Inc., Boston, Ma.

Class B:

F.X. Dwyer
Tenneco Chemicals, Inc., Saddle Brook, N.J.

W.O. Nicoll
Hercules Incorporated, Wilmington, Del.

James D. Hembree
Dow Chemical Co., U.S.A., Midland, Mich.

For a two-year term:

Class A:

Richard J. Eckart
Sapolin Paints Inc., Danbury, Connecticut

Mr. Chairman, this report is respectfully submitted by:

Clinton S. Brown, Chairman, National Manufacturing Corp.
W.A. Bours III, E.I. duPont de Nemours & Co., Inc.
R.G. Bull, The Sherwin-Williams Company
Peter Fass, Reichhold Chemicals, Inc.
William C. Lowrey, Shell Chemical Co.
Mansel O. Wiley (ex officio), Celanese Coatings & Specialties Co.

Mr. Chairman, I move for the election of the entire ticket as presented by the Nominating Committee and that the Association Secretary, Allan Gates, be instructed to cast a unanimous ballot for their election.

Armitage: Is there a second to the motion? I don't think there is any discussion necessary with the calibre of this slate so I will ask Allan Gates to cast the unanimous vote.

Allan W. Gates: Mr. Chairman, as Secretary of the Association I am very pleased to cast the unanimous ballot for the officers and members of the board as presented.

Armitage: Thank you Bus, and thank you, Allan. Gentlemen, tomorrow the new members of your Board of Directors will be introduced to you. However, today it gives me a great deal of pleasure to introduce the officers who will serve you during the coming year. Your new Chairman of the Board, Mansel Wiley of Celanese Coatings and Specialties Company; your Vice Chairman, Ray Stevens of Pratt and Lambert; and your new Treasurer, Bob Cox of The Gilbert Spruance Company.

We are running behind time, and I was going to win your friendship by taking a twenty minute speech and cutting it down to about ten minutes. I think probably the best thing to do right now is to win immortality by cutting it out completely.

There are some important things to be said here of our ongoing programs. In particular, the Consumerism Program which I think is very important and we will try in Coatings or in other media to present to you some of the activities that have been ongoing this year and have been very very important to the progress and good health of the Association.

We are looking forward to seeing you all tonight in this room at 7 o'clock and now our forums will continue as scheduled with the Scientific Forum: "Development of a Product--Today's Approach" in the Lincoln Room, and a forum dealing with "The Small Business and Opportunities for Its Success" in the Monroe Room.

Gentlemen, if there is no further business to conduct, this meeting is adjourned.