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Cleveland, Ohio December 2, 1959 Mr. Dwight P. Joyce

ANNUAL MEETING 1959 - Information Concerning Possible Stockholder Questions.

CC: Mr. W. C. Lighter
Mr. B. W. Maxey
Mr. R. D. Horner
Mr. W. G. Phillips
Mr. G. S. Werner
Mr. D. E. Erskine
Mr. R. A. Augsburger

1. ANNUAL MEETING PROCEDURES

(a) Why not have outside Inspectors of Election? Ohio law and our Regulations both permit inspectors to be employees. Under Ohio law, inspectors are charged with definite responsibilities, which are primary to their obligations to the Company as employees. Our inspectors are thoroughly familiar with proxy procedures and, in our opinion, better qualified than outsiders to discharge these responsibilities.

(b) May I review the list of stockholders at the meeting? This can be arranged following the meeting provided the stockholder can show that his inspection of our lists has a proper business purpose.

(c) May I look at the minute books? (Same answer as (b)).

(d) Why not hold the Annual Meeting of Stockholders occasionally in other cities such as New York or Chicago? Our Company is an Ohio corporation with its Executive Headquarters in Cleveland. By holding meetings here our Directors, officers and key employees can be present with the least expense and disruption of regular business. We also feel Cleveland is as convenient for the majority of our Stockholders who wish to attend and that the expense and time required for a meeting in places such as New York is not justified at this time.

2. AUDITING

(a) Were any reasons given by stockholders who voted against designation of E & E as auditors? (To be answered closer to the meeting date after proxies have been returned.) To date there have been no reasons given.

3. CUMULATIVE VOTING

(a) Will you please explain cumulative voting. There are two principal methods for electing corporate directors. One is by cumulative voting and the other is by straight voting. Under straight voting, those shareholders with a majority of shares entitled to vote elect the entire Board. Where cumulative voting governs the election of directors, each shareholder has the number of votes which equals the number of his shares multiplied by the number of directors to be elected. Any shareholder's votes may be cast for a single director, or he may distribute them among the candidates as he sees fit. If a shareholder has 1,000 shares and there are 10 directors to be elected, this shareholder, under cumulative voting, will have 10,000 votes which he may cast. If he wishes, he may cast them all for one candidate, he can give 5,000 votes to each of two candidates, or he can give 1,000 votes to each of the 10 candidates, or he can otherwise distribute them as he chooses.

4. DIRECTORS

(a) What is the age of our oldest director? 59 - of the Directors who are also officers and employees. What is the average age? 50. (Mr. Smith is 62, which would raise the average to 51)

(b) What fees are paid to directors? $50 meeting fee only for inside Directors; $100 meeting fee only to Mr. Smith.

(c) Questions concerning the desirability of outside directors. Our Company has had no policy which would bar outside directors and has in fact sought and will continue efforts to find properly qualified non-management nominees willing to serve on the Board. Efforts along this line culminated in the election of Mr. William P. Smith, a prominent Washington, D. C. attorney, as a director last year and whose continuation in such office is proposed to this year's stockholders meeting.

We continue to believe that a Board composed mainly of directors thoroughly familiar with our diversified and intricate operations, and who devote their full time and entire efforts to the Company's interests is best able to discharge the responsibilities placed upon it.

(A thorough analysis of the effectiveness of outside vs. inside directors by Prof. Stanley Vance of the University of Massachusetts lends support to our position, and is available in Mr. Horner's files)

(d) How would a vacancy on the Board during the year be filled? The Board may fill, for the unexpired term, any vacancies which occur during the period between annual stockholder meetings.

5. DIVIDENDS

(a) Has consideration been given to increasing (or lowering) the dividend? Our directors constantly review our dividend policy with the objective of paying the highest dividends possible consistent with sound management principles. Future dividends will depend on conditions existing at the time such dividends are declared. No one, of course, can predict these conditions accurately and such factors as taxes and the need for reinvesting earnings in new facilities will play a major part in our Board's decisions.

(b) Why doesn't the Company pay a stock dividend in addition to a cash dividend? In the past our Board has considered the advisability of declaring a stock dividend, but in the light of business and market conditions has not found it advisable to do so.

6. INSURANCE

(a) Does the Company carry title insurance on its properties? Title insurance or title guarantees have been obtained on property acquisitions made during the past seven years. Prior to that time title insurance was obtained on substantial acquisitions where it was felt the risks involved justified our incurring costs involved in such title protection. Title insurance has not been obtained on some of the properties acquired by the Company many years ago as we do not expect to have any difficulty in properly establishing our title to these properties if required to do so, and we do not feel it would be good business at the present time to incur the cost of title insurance for these older properties.

7. LEGAL ACTION

(a) What kind of law suits are pending by and against the Company at the present time? At the present time our Company is involved in nine law suits in which it and/or other parties against whom the actions have been filed are exposed to liabilities in excess of $10,000. The first five cases are claims against our Company, and the balance are our claims against others.

(1) Atlas Powder Company vs. Glidden - Declaratory judgment action filed by Atlas to establish that its sales of IGP emulsifiers and the use thereof by its customers do not infringe our patents and that our patents are invalid and unenforceable. The suit also seeks an injunction restraining us from suing or threatening to sue Atlas customers for patent infringement. We are hopeful that our patent position through defense of the action or settlement negotiations will be sustained.

(2) Clayton vs. Glidden - Suit alleging infringement of Clayton's reissue patent of vegetable oil refining. We have filed a Motion for Summary Judgment which may be heard around the first of the year.

(3) 3711 35th Avenue Corporation vs. First Machinery Corporation and Glidden - Action alleging $10,996 damages, which may be increased to $20,000 for non-insured damages, arising out of a fire at Elmhurst which occurred when our contractor, First Machinery Corporation, was doing dismantling work. We are involved because of our agreement to indemnify the plaintiff at the time of its purchase of the Elmhurst property from us. First Machinery in turn is required to indemnify us and its insurance carrier is conducting the defense.

(4) Falcone dba Ginbilla Pizza Kitchen vs. Glidden - Suit alleging $10,000 damages arising out of a claim that sand and small stones were found in Durkee Oregano sold by a Connecticut distributor. This is a vastly inflated claim which it is hoped can be settled for a nominal sum if the case cannot be dismissed.

(5) Zdanck et al vs. Glidden - Suits by terminated employees arising out of discontinuance of operations at Elmhurst and the move to Bethlehem. Damages are asked in an attempt to put a monetary value on certain benefits which the plaintiffs claim they were deprived of by termination of their employment. The Zdanck suit involves five plaintiffs, each seeking $10,000. We have received notice of similar suits filed on behalf of 55 other employees. At the present, the amount in litigation is $50,000, although it could be increased to $600,000 if all 55 other claimants seek the same amount.

(6) Glidden vs. Hellenic Lines - Suit for damages by reason of Hellenic Lines' failure to carry 35,000 tons of ilmenite ore from Koilthotten, India, to an east coast U.S. port in accordance with terms of four charter parties. The trial court ruled that these charters were frustrated by the closure of the Suez Canal. We are confident that the decision is erroneous and an appeal has been filed which should be heard in December or January. Although the suit seeks $540,000 it is not anticipated that damages would be fixed at more than $240,000 should the Circuit Court of Appeals reverse the District Court's decision.

(7) Glidden vs. Jones-Hettelsater and United Pacific Insurance Company: Glidden vs. Flood - Actions for $1,776,285 damages arising out of faulty construction of Elevator "A" bin walls. The damages figure includes $1,500,000 ascribed to possible decreased value of the elevator. Because of our Lease and Option Agreement with Central Soya, we are not pressing for trial of the suit or for any settlement. Upon Central Soya's exercise of its option to purchase, we will be in a position to negotiate for settlement by seeking payment of our out-of-pocket losses and expenses only.

(8) Glidden vs. Sargent-Gerke and Rich-Coat Varnish Company - Suits filed in October, 1958 to enjoin competitors from using trademarks deceptively similar to our "SPRED". The principal objective is to obtain injunctions against future use of the infringing trademarks although claims for damages in the amount of $400,000 against Sargent-Gerke and $100,000 against Rich-Coat (its subsidiary) are included. These cases are expected to come up for trial in early spring.

(9) Glidden vs. Smith, Auditor of Marion County, Indiana - Actions filed to protest $350,660 retroactive increase in assessed valuation of our Indianapolis property resulting in a deficiency assessment on prior years taxes of $151,933. Our chief interest is in avoiding payment of the deficiency assessment. Central Soya under the Lease and Option Agreement has the main interest of avoiding an unjustified increase as to future years. Indications are that county officials are willing to settle by making a proportionately small increase in the assessment and foregoing collection of any deficiency judgment against us. However these cases may have to be carried through trial.

There are a number of minor suits involving lesser amounts. The aggregate potential liability in these actions is estimated to be less than $10,000.

(b) How much was paid out in settlement of litigation during the year? Barnhardt vs. Glidden alleging $264,411 damages for the termination of the distributorship of a Washington margarine and salad products dealer was settled by the payment of $1500. We also gave up $1250 of our claim against the guarantor of an account in the suit of Glidden vs. Trapp and DeHon for the collection of $15,806 owing by a discontinued paint distributor in Columbia, South Carolina. We, however, have a judgment including this amount against the distributor as part of the settlement. We also paid $934 in settlement of a law suit in Canada brought against Glidden Limited by Ross and Swain for damages allegedly incurred because of a defective paint product.

A number of claims referred to the Legal Department have been settled to avoid litigation when definite legal liability has been established to our satisfaction. The principal settlement in this regard has been the recent payment of $3750 to Evans and Roy Meat Market, Yale, Michigan for damages incurred when a five gallon can of Glid-Tile stored in a meat cooler to delay the catalyst exploded. Other claims have been settled principally by the giving of credit memorandums aggregating approximately $2000.

(c) How much was spent for legal fees last year? Fees totalling $62,381 were paid to nineteen law firms representing the Company on general legal matters. $18,554 of this sum related to the Hellenic Lines litigation. (Our legal fees and Legal Department costs have been consistently and substantially below fees disclosed in proxy statements to have been paid by companies not maintaining their own legal departments to outside counsel.)

Legal fees totalling $19,966 were incurred by our Patent Department primarily for the services of foreign trademark counsel. Costs of attorney services incurred by other departments totalled $12,394.

(d) What FTC actions are pending? An investigation of Philippine desiccated coconut pricing practices of our company and others in the field is in process. (Any questions concerning this should be referred to Mr. R. D. Horner) The FTC inquiry into the acquisition of our Chemurgy Division by Central Soya resulted in a "no action" letter.

(e) Are reserves set up for pending law suits? Yes, if warranted, in an amount which realistically appraises the potential liability.

8. NEW IDEAS

What is the Company's policy toward treatments of ideas received from outsiders? Offers from anyone, not an employee or Glidden agency employee, who discloses ideas or suggestions as to any new or improved products, processes, advertising and promotion schemes, food recipes, or similar suggestions, are immediately referred to the Legal Department, without acknowledgment by the personnel receiving such. If it appears our Company may be interested in any such ideas, arrangements are made for the receipt of the disclosures in a manner which protects our Company against claims for idea piracy or the possible conflict between the outsider's idea and work or research in progress by our own personnel. Generally, we will accept such disclosures only with the understanding that, except for any patent rights involved, we will determine the compensation, if any, to be paid.

9. PATENTS

How many patents does the Company hold? The Company holds 152 U.S. and 42 foreign patents. During the past fiscal year 13 U.S. patents expired and 16 U. S. Patents were granted. 20 new applications were filed and 100 are pending. In the foreign field, 9 new patents were granted this year and 28 new applications have been filed.

10. ROYALTIES

What agreements does the company have for the (a) payment and (b) receipt of royalties?

(a) The Company has licenses from some 20 companies covering processes and products such as can coatings, resins, emulsifiers, highway marking paints, etc. for which we paid royalties in fiscal 1959 in the approximate amount of $99,000. Typical companies are Continental Can, 3 M, E. F. Drew, Hercules, Du Pont, General Foods.

(b) The Company and Glidden International have licensed some 20 foreign companies in the paint, chemical and pigment fields from which royalties were received in fiscal 1959 in the approximate amount of $340,000. The Company also has some eight domestic licensees in chemical and food fields from which royalties were received in fiscal 1959 in the approximate amount of $59,000. Typical companies in the foreign field are W. R. Grace, Ishihara, Ripolin, Fabrica Nacional, and in the domestic field are Dow Chemical, Shulton and Miami Margarine.

11. STOCK

(a) What is the book value of the Company's common stock? August 31, 1959 - $39.29; August 31, 1958 - $37.99. The closing ~~bid~~ price on the New York Stock Exchange yesterday was $ 44.

(b) Are there any plans to sell additional common stock to raise more capital? No definite plans at the present time.

12. STOCKHOLDERS

(a) Did you receive any letters that stockholders asked be read at the meeting? (Not as yet. You will be kept current.)

(b) How many stockholders do we have and how does this number compare with the year before? August 31, 1959: 20,993; August 31, 1958: 22,405, a reduction of 1412.

(c) Do you believe that stockholders should be granted special opportunities to buy Company products? Such a program would be impractical to carry out equitably and to the best interests of stockholders and customers.

(d) Who is the largest individual stockholder, excluding banks, trusts or other institutions, and what is the amount of his holdings? You are the largest single stockholder, with 15,922 shares as of October 1, 1959, reported in the Proxy Statement. We should not, however, disclose individual share ownerships at the meeting.

(e) How much stock is owned by officers and directors? 26,339 shares.

(f) What is the Company's attitude towards directors owning Company stock? Those directors who have held such positions for a number of years have acquired substantial stock holdings as disclosed in our Proxy Statement. Stock ownership is a matter of personal financial circumstances and investment policy. We feel that the most important qualification for a director is sound business judgment and experience and not stock holdings, although we agree that it is desirable for our directors to be substantial holders of Glidden stock.

13. STOCK PURCHASE PLANS

(a) Has consideration been given to a stock purchase plan for all employees? Yes. Our management believes, however, that decisions as to personal investment should rest with the individual and not be influenced by his employer.

14. STOCK OPTIONS 3280 + 100 JWP ~~3480~~ ~~3380~~ Hun 12/4

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(a) Have any directors exercised stock options? Yes. Four directors have exercised options for the purchase of a total of ~~3100~~ shares. No director has sold any Glidden stock acquired through the exercise of stock options. 4LS

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(b) What limit has been placed in our Option Plan on options granted any one officer or employee? The maximum shares optioned to any individual in the initial offering under both the 1952 Plan and the proposed 1959 Plan is 2,000 shares, and the maximum shares optioned is 5,000 shares to any one individual.

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15. STOCK OPTION INCENTIVE PLAN

Approximately 5% of the proxies returned to date (December 2) have contained a vote against the proposed 1959 Plan. Explanations of the vote fall into the following categories:

(a) Compensation considered already adequate for officers and key employees;

(b) There have been no commensurate additional benefits to stockholders in the form of increased dividends or stock dividends;

(c) A belief that stock option plans actually do not provide any incentive since there has been no significant appreciation in market value of Glidden stock during the term of the 1952 Plan or "real progress".

The following information can be used in answering questions as to the justification for the 1959 Plan.

A. The purpose of the plan is to encourage key employees to acquire stock ownership in the Company and continue in its employ, and to provide additional incentive to men of training, managerial ability and experience upon whose judgment, initiative and efforts the future success and development of the Company depends.

B. Granting options to key employees provides an incentive for increasing Company growth and profits which ultimately can be expected to be reflected in increased market value of the Company's stock.

C. While there is a direct correlation between the granting of options which create profit incentives and the Company's earnings which form the basis for dividends, stock received upon the exercise of the options is paid for by the participants and does not come out of profits.

D. The 1959 Plan is not restricted to officers or to top management employees, but also and more important will apply to younger men who are rising to key managerial positions and future responsibility for the Company's success.

E. The Stock Option Incentive Plan is only one means of providing employees with incentives for increasing profits. It is particularly effective however because of its tax advantages to the individual employees and because of the fact that acquisition of a proprietary interest in the Company can be postponed until later years when an employee is more financially able to make the investment. This is particularly true of younger employees who are rising to key positions of management responsibility.

F. Dilution. There is no dilution of other stockholder's equity unless there is an increase in market value of the stock after the options are granted, and then only to the extent of the increase. This would presumably amount to only a few cents a share.

G. Restricted stock options could not be granted to shareholders under law and this would not be justified economically since there is no opportunity for a stockholder who is not an employee to contribute through his own efforts to the Company's profit and future growth.

H. All stockholders profit commensurately if as a result of granting options the incentive to key employees results in increased growth and profits and ultimately appreciation in market value of the Company's stock.

R. K. Dutton

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