Ross

DEC 11 1961

NOTES FOR ANNUAL MEETING

December 14, 1961

GLD003536

INDEX

Notes for Annual Meeting
December 14, 1961

GLD003537

NOTES FOR ANNUAL MEETING
December 14, 1961

I. Balance Sheet Review

A. Cash and Banking

The Glidden Company maintains the following bank relationships:

	Glidden	Ltd.	Int'l.
Major Account and Credit Line Banks	22	3	3
Other Bank Relationships	138	1	5
Total	160	4	8
Total Number of Bank Accounts	204	10	14

Cash is collected at 192 collection points in the U. S. and Canada, and is deposited in local bank accounts. In addition, 16 post office lock boxes are operated under arrangements with banks for servicing and depositing of funds received. Funds are then moved by depository transfer check and bank wire to 20 regional collection centers and are under the control of the Headquarters Banking Department.

Invoices are paid by a central Accounts Payable Department and Division Accounts Payable Departments which maintain working fund accounts. Small items in the branches are paid by issuance of an envelope draft. Funds are transferred to working fund accounts periodically by the Headquarters Banking Department, using bank wire and check transfers.

Freight Payment Plans are used at three banks. Night depository arrangements are in effect where beneficial.

B. Short-Term Securities

At August 31, 1961, we reflected $1,991,447.00 of short-term securities at cost on the Balance Sheet. These consisted of the following:

U. S. Treasury Bills	$ 993,825.00
Commercial Paper	497,361.00
Government Agency Obligations	500,261.00
	$ 1,991,447.00

All of these securities had maturities of less than one year and were, in general, placed to mature coincidentally with Dividend, Interest and Tax payments.

During the year, our average short-term portfolio was $3,386,000.00. The average after-tax interest income was 1.48% (3.05% equivalent before tax).

GLD003538

I. Balance Sheet Review

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

	8/31/61	8/31/60	8/31/59
Accounts Receivable	$21,933	$18,919	$17,194
Notes Receivable	323	374	223
Total	$22,256	$19,293	$17,417
Reserve for Bad Debts and Allowances	419	565	512
Net per Annual Report	$21,836	$18,728	$16,905
% Bad Debt Reserve to Receivables	1.9%	2.9%	2.9%
Past Due Receivables:			
Dollar Amount	$ 2,114	$ 1,864	$ 1,215
% of Gross Receivables	9.5%	9.7%	7.1%
Receivables Charged Off	$ 407	$ 271	$ 222
Recoveries Against Receivables Charged Off	91	110	102
Net Bad Debt Loss	$ 316	$ 161	$ 120

Bad Debt Loss as % of Sales:

1961	.15%
1960	.08%
1959	.06%
1958	.06%
1957	.09%
1956	.04%

Accounts receivable turnover for entire company approximately 39 days. This compares to 36 days in 1960 and 32 days in 1959. Somewhat slower turnover reflects continuing trend over recent years affecting all industry and accelerated during recent recession. National median approximately 33 days for manufacturers and 40 days for wholesalers.

Bad debt losses of $407,000 represent an increase of $136,000 or 50% over prior year. However, total sales increased $8,000,000 during this period. Dun & Bradstreet reports failure liabilities for all business hit a new historical peak during the year, exceeding previous records set in 1932.

In addition to general business conditions, trend of company to sales through branches influences our bad debt losses and turnover of receivables. Instead of dealing with a smaller number of larger firms performing a distribution function, we now deal directly with wide range of accounts formerly serviced by distributors, and this leads to increased losses and slower turnover. Additionally we are aggressively expanding our sales activities in the painter-maintenance field where receivables are inherently slower turning as

I. Balance Sheet Review

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

most contractors, through long-established trade practice, pay suppliers from the final job settlement. Secondly, branch credit functions are performed by less competent and well-qualified personnel than those employed in regional offices, and this has had similar effects.

A percentage breakdown of total receivables by major division is as follows:

	1961	1960	1959
Coatings & Resins	63%	64%	64%
Food	24%	23%	23%
C-P-M	10%	9%	9%
Organic Chemical	3%	3%	3%
Private Ledger	(Nominal)	1%	1%
	100%	100%	100%

D. Inventories

Published total inventory was up $936,340 from $40,665,766 to $41,602,106 at August 31, 1961. Changes between year ends by group were as follows:

	August 31, 1961	1960	Increase (Decrease)
Coatings and Resins	$18,731	$19,297	$ (566)
Food	13,188	12,147	1,041
C-P-M	7,340	7,750	(410)
Organic Chemical	2,944	1,897	1,047
	$42,203	$41,091	$1,112
LIFO Reserve	601	425	(176)
	$41,602	$40,666	$ 936

The principal factors causing this net increase by group were:

Coatings and Resins - Total inventory for this group was down through a combination of efforts to reduce inventory levels particularly in the Reading and San Francisco Divisions coupled with high sales volume in most areas in the late months of fiscal 1961. The group's year-end finished stock inventory was some $290,000 below its goal reflecting this greater than anticipated year-end sales level.

I. Balance Sheet Review

D. Inventories - continued

Food - Total oil physical inventory quantities were up about five per cent over the previous year end which coupled with higher 1961 year-end price levels in cotton seed and coconut oils resulted in an increase in dollar inventories at the oil divisions of $1,250,000. In spite of a 6% increase in sales level at Bethlehem, better inventory control resulting from the RAMAC installation enabled that division to achieve a $190,000 reduction in finished stock levels.

C-P-M - Sharply reduced ore stocks at the Adrian Joyce Works resulted in a reduction of $900,000 in inventories at that location. This decrease was partially offset by the 1961 year-end inventory stocks of $435,000 resulting from the fiscal 1961 acquisition of the Johnstown operations.

Organic Chemical - The substantial increase in inventory investment in this division results from a substantial increase in Work-in-Process inventories at Jacksonville. Most of this increase of $390,000 is in the Fine Terpene area. Increased finished stock at Port St. Joe of Sylvaros 80 accounted for $525,000 of the $710,000 total Organic Chemical finished stock increase.

LIFO Reserve - Higher price levels of certain Food Group oil stocks resulted in a substantial increase in the LIFO Reserve at August 31, 1961 compared to the same date of the previous year.

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

1961	- 4.97 to 1
1960	- 4.86 to 1
1959	- 4.94 to 1
1958	- 5.91 to 1

Inventory control is achieved through the joint efforts of management and operating personnel.

In the Coatings and Resins Group on a semi-annual basis, subject to monthly reviews, Finished Stock dollars goals are established by a Headquarters Inventory Committee on a regional basis. These goals are established only after careful study and consultation with Regional management. It is the responsibility of Regional management to allocate by operating unit and by product within its goal. Performance is compared to goal each month, both at Headquarters and each Region. Explanations of variances are determined and any

GLD003541

I. Balance Sheet Review

D. Inventories - continued

action that is appropriate is initiated. Raw Material control is established by a translation of Finished Stock goals through the joint effort of production management and purchasing personnel at both Headquarters and at each Region.

Inventory control in the Food Group is established through pars set for total inventory by division through the joint effort of Headquarters and Division management. Of even greater importance is the daily control exercised on raw materials based on market quotations of edible oils and condiment raw materials. The Durkee Trading Office is constantly projecting market conditions into raw material requirements through teletype communication with Headquarters and Division management. Market conditions on pepper and other materials are also projected into requirements on a daily basis.

The respective division managers in C-P-M and Organic Chemical exercise control of inventories as required by their individual market sources and operating requirements situations.

E. Other Current Accounts and Investments

Detail at August 31 was:	1961	1960
Marketable Securities (Canada)	$ -	$ 43,750
Margin Advances (Durkee)	88,552	62,970
Open Account (Glidden Int'l.)	241,591	190,682
Central Soya Co.	111,481	-
Open Account (Pincasa-Guatemala)	32,365	58,343
Shedd-Bartush Payments (Berkeley)	30,240	30,685
Installment Sales	32,709	34,633
Creditors' Debit Balances	47,214	41,287
Southwest Industrial Properties	-	56,400
Jones Hettelsater Construction Co.	14,906	47,983
Misc. Notes and Accounts	333,322	337,321
	$932,380	$904,054

F. Prepaid Insurance and Other Expenses

Detail at August 31 was:	1961	1960
Prepaid Insurance	$228,632	$330,343
Prepaid Taxes	152,637	147,572
Prepaid Royalties	44,326	76,887
Other Prepaids	70,461	44,211
	$496,056	$599,013

GLD003542

G. Property

For schedule of major capital expenditures and 1962 projection, see page 26.

Detail on disposal of Chemurgy property to Central Soya is on page 24.

Depreciation is covered on page 13.

Insurable value of all buildings, machinery and equipment owned by the Company but excluding land and foundation is $96,000,000. Rental obligations for buildings occupied by Company units are covered on page 8.

H. Deferred Charges and Other Assets

Detail at August 31 was:	1961	1960
Prepaid Bond Discount and Expense	$ 683,047	$ 713,863
Investments -		
Chicago Board of Trade	27,951	27,951
Glidden International, C. A.	18,018	18,018
A/S Fjord-Plast - Norway	37,984	28,040
Miscellaneous	5	5
Loan to Pincasa - Guatemala	125,000	-
Glidden Ltd. Loan to Glidden Int'l.	400,000	-
Deferred Research and Engineering Costs	432,341	-
Employee Loans	121,167	57,830
Misc. Notes and Accts. Receivable	68,097	172,856
	$1,913,610	$1,018,563

I. Short and Long-Term Financing

1. Short-Term Borrowing and Bank Lines of Credit

	Fiscal 1961	Fiscal 1960
Average Short-Term Borrowing	$ 956,164	-0-
Maximum Short-Term Borrowing		
Amount	4,000,000	-0-
Dates	2/28-3/7; 3/20-3/30 4/3-5/3	
Minimum Short-Term Borrowing		
Amount	-0-	-0-
Dates	9/1-2/16; 6/15-8/31	
Year-End Balance	-0-	-0-
Average Interest Rate Paid	4.5%	-0-
Date of Pay-off of Last Short-Term Borrowing	6/15/61	-0-

GLD003543

I. Balance Sheet Review

I. Short and Long-Term Financing - Continued

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

At August 31, 1961, we maintained a line of credit of $7,500,000 for Glidden (plus $1,000,000 for International). These were carried at major banks across the country as follows:

Bank	City & State	Amount
The Citizens & Southern National Bank	Atlanta, Georgia	$ 500,000
Continental Illinois National Bank & Trust Company of Chicago	Chicago, Illinois	1,000,000
The First National Bank of Chicago	Chicago, Illinois	500,000
The Cleveland Trust Company	Cleveland, Ohio	500,000
The National City Bank of Cleveland	Cleveland, Ohio	1,000,000
Bank of America, N. T. & S.A.	Los Angeles, California	500,000
The Louisville Trust Company	Louisville, Kentucky	500,000
The Chase Manhattan Bank	New York, New York	1,000,000
Chemical Bank New York Trust Company	New York, New York	1,000,000
First National City Bank of New York	New York, New York	1,000,000
Union Commerce Bank	Cleveland, Ohio	1,000,000*

* International

Our present credit lines of $7,500,000 (plus $1,000,000 for International) will be maintained throughout fiscal 1962.

2. Debenture Issue

The entire indebtedness of The Glidden Company (excluding normal accounts payable, interest, and taxes) is represented by the $30,000,000 of 4-3/4% sinking fund debentures dated November 1, 1958, and due on November 1, 1983.

The indenture provides for a sinking fund commencing November 1, 1964, to retire $1,500,000 of debentures annually and 100% by maturity.

I. Balance Sheet Review

I. Short and Long-Term Financing - 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.

Annual Interest Cost	Year	Month
Interest at 4-3/4%	$1,425,000	$118,750
Amortization of Discount and Expense	30,816	2,568
	$1,455,816	$121,318

Market price of debentures has varied from a high of 104-5/8 to a low of 95. Market price was 99 on 8/31/61 and was on December 13, 1961. Quote - 100½ to 104 } 12/13
Close 100 1/8

J. Contingent Liability

Federal income tax returns have been examined through 1959 and final settlement made through our 1958 fiscal year. We know of no unusual items for the 1960 and 1961 fiscal years and have made no special reserve allowances for Federal income taxes.

Our audit for fiscal 1959 remains open pending final determination by the Internal Revenue Service of the tax liability of Central Soya's acquisition of Glidden's Chemurgy Division. We anticipate that alternative treatments of this disposition will have little effect on Glidden tax liability.

No problem in government contracts through renegotiation or otherwise. Total government volume, including state and local, is less than one per cent of net sales.

The detail of major real estate lease commitments at August 31, 1961 is (CONFIDENTIAL -- DO NOT RELEASE)

	Total Contract	Fiscal 1962
Paint Branches		
Active	$ 6,957,422	$ 1,270,552
Pending	383,700	40,620
	$ 7,341,122	$ 1,311,172
Bethlehem Plant	1,074,375	67,500
Cleveland Executive Offices	2,086,067	201,877
Miscellaneous Offices and Warehouses	244,115	105,951
	$10,745,679	$ 1,686,500

GLD003545

I. Balance Sheet Review

K. Stock and Stockholders

1. Common Stock (2,311,245 shares o/s at 8/31/61)
-Preferred Stock (199,840 shares, cumulative $2.125 per share)

The Company's common stock is listed on the New York Stock Exchange and has unlisted trading privileges on the Midwest, Pacific Coast, and Philadelphia-Baltimore Stock Exchange.

From January 1, 1961, through October 25, 1961, the price of the Company's stock ranged between a high of 45-3/4 and a low of 36. (See Annual Report, Page 18-9, for prior years.) During this same period, an average of 1,320 shares were traded each day on the New York Stock Exchange.

The closing price of Glidden Common Stock on December 13, 1961, was 44 5/8 5/8 - 3/4 Quot.

2. Other Comments on Stock

a. We have no treasury stock.

b. The $2.125 cumulative preferred stock was issued incident to the agreement of merger of Pemco Corporation 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 4, Special Meeting Proxy Statement.)

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 after 9/1/81.

4. 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.

I. Balance Sheet Review

K. Stock and Stockholders - Continued

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 the sum of $200,000 to be used to purchase the $2.125 preferred stock if 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 funds of the Company.

6. Each share is convertible into common stock of the Company at the conversion ratio of 1.125 shares of common for each share of preferred.

7. Holders of cumulative preferred stock have no pre-emptive rights in any stock or securities convertible into stock.

c. Stock dividends are always under consideration but we have no plans now 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, 1961			August 31, 1960		
	No. of Shareholders	% Shares Held	Avg. Shs. Held	No. of Shareholders	% Shares Held	Avg. Shs. Held
Individuals	20,046	62.04%	72	20,175	63.12%	72
Institutions	336	4.93%	339	315	4.86%	357
Brokers	175	10.12%	1,337	182	10.65%	1,353
Nominees	316	22.91%	1,676	297	21.37%	1,662
Total	20,873	100.00%	111	20,969	100.00%	110

II Operating Statement

A. Gross Profit

	Published 1961	Published 1960
Ratio to Net Sales	27.3%	27.7%
Dollars	$56,529,709	$54,681,558

Increase 1961 over 1960:	
Due to Net Sales Increase	$2,551,000
Due to Gross Margin Decrease	(703,000)
Net 1961 Increase	$1,848,000

B. Selling and Administrative Expense

The Annual Report shows a Selling and Administrative Expense increase of $3,235,000 or 8.0% on a Net Sales increase of 4.7% in 1961. The Net Sales and Gross Profit increases have not been sufficient to absorb the Selling and Administrative Expense increases, resulting in lower income from operations.

The major increases (decreases) by caption in 1961 are as follows. Last year figures have been reworked for changes in presentation brought about by the 1961 revision of the Chart of Accounts. Development Costs have been removed from 1960 figures for better comparisons.

Sales, Salaries and Compensation	$ 557,000
Salesmen's Expense	149,000
Travel	220,000
Storage	113,000
Bad Debt Provision (less Recoveries)	125,000
Advertising (local and national)	(530,000)
Samples and Allowances	70,000
Product Development, Technical Service	146,000
Research	361,000
Office Salaries	624,000
Communications	54,000
Occupancy	302,000
Employee Benefits, Payroll Taxes	177,000
Retirement, Bonus	(437,000)
Development Costs (charged to S & A)	1,154,000
All Other	150,000
Total	$3,235,000

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

	Increase over prior year 1961	Increase over prior year 1960
Coatings and Resins	$1,724,000	$2,125,000
Foods	270,000	735,000
Chemicals	1,944,000	60,000
Headquarters	(703,000)	860,000
Total	$3,235,000	$3,780,000

GLD003548

II Operating Statement

B. Selling and Administrative Expense (Cont'd)

Development Costs have played a large part in the above increases. In 1961 there was $2,151,000 charged to Selling and Administrative Expense as compared to $997,000 in 1960. An additional $676,000 of Development Costs was charged to Cost of Sales in 1960.

Operating Groups
The increase can all be attributed to improving the sales distribution systems of these Groups. Coatings and Resins Group's branch expansion program accounts for at least $1,475,000 of their $1,724,000 increase. Foods increased expenses were related to the additional sales manpower which helped to effect a 10.8% sales increase. Realignment of the sales staff at the C-P-M Division and the addition of Johnstown and Johnsonburg caused the C-P-M increases. The larger portion of research expense charged to the sales department caused the Organic Chemical increase.

Headquarters
Headquarters Administrative Expenses were $6,345,000 this year compared to $7,034,000 last year and $6,062,000 in 1959. Changes in pension, bonus and Development Costs have distorted the total administrative expense comparison. The following schedule will break out these major items to allow a better comparison.

	1961	1960	1959
Pension Costs	$ 272,000	$ 809,000	$ 774,000
Bonus Provision	41,000	44,000	247,000
Development Costs	-0-	731,000	331,000
Other Administrative Expenses	6,032,000	5,450,000	4,710,000
Total	$6,345,000	$7,034,000	$6,062,000

The increase in Other Administrative Expense was $740,000 in 1960 and $582,000 in 1961 over the preceding year. This increase is further broken down among the four Groups and the Corporate administrative functions in the following schedule: (In Thousands)

	1961	1960	1959
Coatings & Resins Group Administration	$1,834	$1,590	$1,400
Foods Group Administration	448	417	355
Chemicals Group Administration	263	211	188
International Group Administration	51	-	-
Corporate Administration	3,436	3,232	2,767
Total	$6,032	$5,450	$4,710

Increased salaries due to staff additions and increases to present staff was the major item. The staff increases also carried along increases in the overhead expenses as well as a general cost of living increase.

II Operating Statement

C. Other Income - Published P & L

The major items this year and last year were:

	1961	1960
Technical Service Fees	$ 181,723	$ 195,006
Interest Earned	147,485	217,436
Gain (Loss) - Disposal of Capital Assets- (Other than Chemurgy disposal in 1961 shown separately):		
Jacksonville Abnormal Retirement due to process changes	(51,238)	
Baltimore Abnormal Retirement due to process changes	(16,131)	
Baltimore Abandonment Loss on Drying System	(23,610)	
Sale of Valdosta Property		275,301
Sale of Honolulu Property		49,768
Sale of Norwalk Property		(29,768)
Sale of Scranton Property		39,176
Other	(797)	61,630
Gain (Loss) - Disposal of Securities	(7,936)	(2,844)
Other:		
Board of Trade (Chicago) Net Profit	144,697	109,813
Scrap and Residue Sales	73,646	39,246
Loss on Default of contractor	-	(72,421)
Dumont Write-off	-	(109,326)
Miscellaneous	(25,228)	63,131
	$ 422,611	$ 836,148

D. Depreciation

Depreciation and amortization charges for 1961 were $7,440,940 compared to $6,959,971 in 1959. The charges for Chemurgy properties were $1,974,260 compared to the rental income of $2,175,000 received from Central Soya. Most property acquired since 1954 is depreciated for book and tax purposes on the sum-of-the-years' digits method of accelerated depreciation using the following average lives: Buildings, 40 years; Machinery and Equipment, 20 years; and Furniture and Fixtures, 15 years.

	1961	1960
Total Depreciation and Amortization	$7,440,940	$6,959,971
Less Chemurgy	1,974,260	2,013,837
	$5,466,680	$4,946,134
Estimated S-Y-D Excess	1,959,601	1,947,714
Estimated Straight Line	$3,507,079	$2,998,420

E. Fixed Charges

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

	1961	1962
Total Interest Expense	$1,472,687	$1,425,000
Estimated Real Estate Lease Liability (Confidential) See Page 8	1,609,706	1,686,500
	$3,082,393	$3,111,500

II Operating Statement

E. Fixed Charges (Cont'd)

Under provisions of the Pemco merger effective November 1, 1961, the following preferred dividends will be payable from retained earnings on the 199,840 shares issued: Fiscal 1962, $318,495; Fiscal 1963, $424,660.

F. Advertising Expense

By Group

	C & R	Foods	Chemical	Corporate	Total	% to Sales
1961	$3,354,989	$1,482,686	$117,797	$ 30,217	$4,985,689	2.41%
1960	3,541,064	1,759,236	84,879	131,093	5,516,272	2.78%

G. Research and Development

	1961 Actual	1960 Actual	1961 Budget	Proposed 1962 Budget	Incr. 1962 Budget Over 1961 Actual
Research	$1,776,781	$1,225,340	$1,474,200	$2,004,380	12.8%
Sales Service	2,030,958	1,744,961	1,998,500	2,766,835	36.2
	$3,807,739	$2,970,301	$3,472,700	$4,771,215	25.3%
Control Lab	1,020,004	1,162,209	1,231,000	1,040,335	2.0
Total	$4,827,743	$4,132,510	$4,703,700	$5,811,550	20.4%
% to Net Sales	2.34%	2.09%			

H. Average Assets and Profit Return

	1961 Average Assets	1961 Profit	1961 % Return
Coatings and Resins	$49,356,514	$ 5,837,928	11.8%
Food	27,591,276	4,470,571	16.2
C-P-M	33,442,471	3,161,366	9.5
Organic Chemical	8,520,440	(181,544)	(2.1)
Total Groups	$118,910,701	$13,288,321	11.2%
Total Company	$134,507,664	$12,606,983	9.4%

I. Miscellaneous

Attention may be called to ten year statistics in Annual Report. It may be pointed out, on inquiry, that all Divisions of the Company were operated profitably in 1961 with the exception of the newly acquired Architectural Products Division and the Organic Chemical Division's Jacksonville operation where the fine terpene development program resulted in an operating loss for fiscal 1961.

III Cash Use and Projection

A. Application of Funds (In Thousands)

		1961		1960
Source of Funds				
Net Income		$ 6,417		$ 6,690
Depreciation		7,441		6,960
Total from Operations		$13,858		$13,650
Sale of Common Stock Under Option Plans (1961-655 shares; 1960 - 2,740 shares)		24		98
Disposition of Fixed Assets		8,599		965
Other Sources - Net		(802)		145
		$21,679		$14,858
Disposition of Funds				
Dividends Declared		$ 4,622		$ 4,621
Expenditures for Property, Plant and Equipment		7,823		8,764
Changes in Working Capital:				
Cash - Incr. (Decr.)	$ 680		$(1,472)	
Short Term Securities-(Decr.)	(4,493)		(1,473)	
	$(3,813)		$(2,945)	
Accounts Receivable, Net-Incr.	2,977		1,823	
Inventory - Incr.	936		1,077	
Other Accounts - Incr. (Decr.)	9,321		(122)	
Accounts Payable - (Incr.) Decr.	(162)		323	
Accrued Taxes - (Incr.) Decr.	149		1,482	
Other Charges	(174)	9,234	(165)	1,473
		$21,679		$14,858

III Cash Use and Projection

B. Five-Year Forecast - Cash Basis

TO BE ADDED LATER.

NOTES FOR ANNUAL MEETING

IV **Employee Benefits**

A. Pension Plans

	Expense Per Books	7/31/61 Trust Funds On Deposit	No. of Empl. Funded	Retired Employees Receiving Benefits	YI… Excluding Capital Gain or Loss
U. S. Salary	$ 336,849	$12,809,131	1,426	231	4.27
U. S. Hourly	137,000	3,045,821	999	322	4.47
Canadian Salary	63,500	720,465	263	13	N.A.
Canadian Hourly	23,900	203,770	123	10	N.A.
Total Funded	$ 561,249	$16,779,187	2,811	576	
Supplemental	101,648				
Total	$ 662,897				

Total Assets @ 7/31/61 — **$16,779,187 (does not include $274,400 t… complete 1961 requirements.)**

Unfunded Past Service Liability in Annual Report — **$ 3,607,519**
Annual Current Service Cost per Annual Report — **$ 1,043,844**

IV **Employee Benefits**

A. Pension Plans (Continued)

As of October 31, 1961, the cost and market values of our trust investments were as follows:

	U.S. Salary	U.S. Hourly	Canadian Salary	Canadian Hourly
Cost:				
Dollar Amount	$12,695,166	$3,021,427	$742,459	$212,588
% Equities	53.15%	51.77%	40.2%	40.2%
Incl. Glidden Stock	(3.47%)	(3.15%)		
Fixed Income	34.30%	35.12%	59.8%	59.8%
Convertibles	12.55%	13.11%		
Market:				
Dollar Amount	$15,324,817	$3,640,442	$770,649	$224,118
% Equities	61.12%	58.87%	43.6%	43.0%
Incl. Glidden Stock	(3.32%)	(2.98%)		
Fixed Income	27.85%	28.80%	56.4%	57%
Convertibles	11.03%	12.33%		

Total Dollar Amount in Funds - At Cost $16,671,640
At Market $19,960,026

Glidden shares held by pension fund are voted by Hafner & Co., as nominee of The Cleveland Trust Company, Trustee.

B. Bonus Plan

Original plan adopted February 8, 1951, and amended February 14, 1952. Administered by a Bonus Committee elected by the Board of Diredors. 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 profit. Net income must exceed 6% bonus net capital employed also. The 1961 computation was:

Capital Stock, Debentures, Surplus (Bonus Net Capital)		$124,247,574
12% Bonus Net Capital		14,909,709
Consolidated Net Income	$6,416,983	
Add: Provision for Taxes, Bonus, Interest on Debt	7,805,687	$ 14,222,670
Less: 12% Bonus Net Capital		14,909,709
Net Bonus Income		$ (687,039)
7% Net Bonus Income (Maximum Provision)		-0-
Consolidated Net Income		$ 6,416,983
Less: 6% Bonus Net Capital		7,454,854
Maximum Provision		$ (1,037,871)
Actual Provision		-0-

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IV Employee Benefits

B. Bonus Plan (Continued)

Since 1951, the maximum allowable provision was $2,557,863. We have returned to profit $952,163 leaving $1,605,700 for bonus payout.

In 1959, 124 awards were made, totaling $209,750. The highest individual amount awarded was $8,000 (to Duncan and Halsey). A total of 1,196 awards have been made from 1951 through 1959. Maximum in any one year was 212, lowest 48. The highest individual amount awarded was $12,000 (to Duncan, Sprague, Ruth and Goldseth in 1951.)

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

No bonus awards were made either in 1960 or 1961.

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 $1,000 is paid in annual instalments of 25% of the amount awarded or $1,000, 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.

9
Ten officers of the Company who serve as directors, and approximately 500 other employees (including ten officers) who receive salaries of $750 or more per month, are currently eligible for consideration for bonus awards. The Chairman of the Board of Directors and President may not be awarded a bonus under the Plan.

C. Stock Options

1. 1952 Stock Option Plan

Under this Plan 100,000 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 5,000 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, 1961, options to purchase 118,870 shares (51,100 to officers and directors) had been granted under the 1952 plan. (Options for 24,110 shares had expired by reason of termination of employment, of which options for 18,870 shares were reissued, as authorized by the Plan, to qualifying employees.)

IV Employee Benefits

C. Stock Options (Continued)

Options representing 19,915 shares had been exercised (3,355 by officers and directors). There were outstanding under the 1952 Plan as of August 31, 1961, options for 74,845 shares (47,745 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 twenty officers and directors and 105 other employees held options under the 1952 Plan. Officers and directors named in the remuneration table on page 5 held options as follows:

	Option Price of \$35 Expiring 6-24-62	Option Price of \$38 Expiring 12-27-64	Option Price of \$37 Expiring 11-29-66	Option Price of \$37.50 Expiring 9-29-67	Option Price of \$41.50 Expiring 12-28-68
Dwight P. Joyce	2,000	2,000	1,000	--	--
Alexander D. Duncan	1,120	2,000	1,000	--	--
Beauford W. Maxey	2,000	2,000	1,000	--	--
John H. Weeks	1,500	2,000	1,000	--	--
Robert D. Horner	700	2,000	2,000	--	300
William G. Phillips	500	2,000	2,000	--	500
Harvey L. Slaughter	--	2,000	2,000	--	--
George M. Halsey	400	200	2,000	--	1,000
George S. Warner	500	2,000	2,000	--	500
Paul W. Neidhardt	150	300	300	--	--
Richard H. Turk	--	--	--	--	--
All Directors and Officers as a group (including those named above	9,945	18,300	16,300	--	3,200

[illegible]

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.

2. 1959 Option Plan

Provides Committee may option 100,000 shares of authorized and unissued Common Stock.

Principal differences from old plan:

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

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

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

d. Term of option set by Committee up to 10 years and may not be exercised for two years after grant (old plan all for ten years).

IV Employee Benefits

C. Stock Options (Continued)

Under the 1959 Plan, options to purchase a total of 28,900 shares have been granted to 91 employees (including 12 officers). Directors and officers named in the remuneration table on page 5 held options as follows:

	Option Price of $40 Expiring 5-25-70	Option Price of $41 Expiring 7-23-71
Dwight P. Joyce	2,000	---
Harvey L. Slaughter	1,000	---
George M. Halsey	1,400	---
Paul W. Neidhardt	400	1,000
All Directors and Officers as a group (including those named above)	7,300	1,000
[illegible]		1,000

At August 31, 1961, options for 28,700 shares were outstanding and there were 71,300 shares of unissued Common Stock reserved for options which may be granted in the future under the 1959 Plan.

D. Wage and Salary Ratios

	1961	1960
Manufacturing Wages to Cost of Products Sold	11.8%	8.5%*
Total Wages and Salaries to Net Sales	18.8% $38,903,919	18.6% $36,708,653
Total Wages, Salaries and Benefit Costs to Net Sales	20.2% $41,798,041	20.0% $39,484,429

*Based on former Chart of Accounts

E. Salaries

Our salary rates, including those for officers and other key employees, including bonus, are fully in line with studies on this subject, such as by AMA. We must be competitive in salaries and other inducements such as stock options, to attract and hold good men.

The Proxy Statement reports that total remuneration of all directors and officers as a group decreased from $817,180 in 1960 to $786,251. The principal reason for the decrease is a reduction in bonuses paid in 1961.

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 salary continuation policy whereby salaried employees receive a portion of their salary during prolonged illness -- the length of continuation depending upon the employee's length of service.

V Acquisitions, Dispositions and Capital Expenditures

A. Acquisitions

In line with our program for future growth through research and development, through the introduction and marketing of new products and through acquisitions, the following results in the area of acquisitions were achieved in fiscal 1961.

Architectural Products - May 17, 1961

Purchased the Reinforced Fiber Glass Paneling Business of the McPhran Corporation of Marietta, Georgia. Purchase price was:

Accounts Receivable	$ 1,601
Inventory	11,421
Furniture & Fixtures, Equipment	38,350
Patents, Trademarks	1
	$51,372

In two separate transactions acquired the Metal Powders business of Crane Company, Johnstown, Pennsylvania and Magnetic Powders, Inc., Johnsonburg, Pennsylvania. Purchase prices were:

Johnstown - January 31, 1961

Inventory	$336,565	
Buildings and Improvements	30,000	
Furniture & Fixtures, Equipment	419,360	
Land	640	
Other	1,029	
		$787,594

Johnsonburg - May 26, 1961

Cash	$ 34,629	
Accounts Receivable	13,931	
Inventory	32,020	
Land	1,325	
Machinery & Equipment	25,000	
Other	8,208	
	$115,113	
Bargain Purchase	10,113	105,000
		$892,594

V Acquisitions, Dispositions and Capital Expenditures

A. Acquisitions (Cont'd)

Pemco - November 1, 1961

At a special meeting held November 3, 1961, Glidden shareholders approved a plan to merge Pemco Corporation into The Glidden Company. The merger was accomplished through an exchange of new Glidden \$2.125 cumulative preferred stock for Pemco outstanding common stock. Glidden exchanged 199,840 of its preferred shares for 99,920 Pemco common shares.

Pemco is a manufacturer of inorganic chemicals, specializing in frits and colors and will be operated as a separate division of the Chemicals Group of The Glidden Company. Pemco has averaged Net Sales of \$8,500,000 per year for the last five years with average net income for that period of \$590,000 or 6.9% to average net sales.

At August 31, 1961, Pemco had total assets of \$6,435,582 with shareholders' equity in those assets of \$5,502,016.

For the period from September 1, 1961 to November 5, 1961, Pemco has reported net sales of \$1,521,660 which resulted in a profit after federal income tax of \$144,602 or 9.5% to net sales.

Combined Earnings of the Companies

	1961	1960	1959	1958	1957
Net Income - Glidden	\$6,416,983	\$6,690,356	\$7,633,531	\$6,063,062	\$7,264,437
Per Share Earning	\$2.78	\$2.90	\$3.31	\$2.64	\$3.16
Net Income - Pemco	485,804	501,311	718,551	584,089	673,684
Combined Net Income	\$6,902,787	\$7,191,667	\$8,352,082	\$6,647,151	\$7,938,121
Preferred Dividend	424,660	424,660	424,660	424,660	424,660
Net Income available to Company	\$6,478,127	\$6,767,007	\$7,927,422	\$6,222,491	\$7,513,461
Per Share Earnings	\$2.80	\$2.93	\$3.43	\$2.71	\$3.27
Per Share Earnings assuming conversion of preferred into common	\$2.72	\$2.84	\$3.30	\$2.63	\$3.15

Comparative Book Value of Common Shares

		Combined - 8/31/61	
Glidden - Based on Outstanding Shares at 8/31/61	Pemco - Based on Outstanding Shares at 8/31/61	Based on 199,840 Preferred shares Outstanding	Based on Actual Outstanding plus common into which preferred is convertible
\$40.96	\$55.06	\$39.02	\$39.50

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V Acquisitions, Dispositions and Capital Expenditures

B. Disposition 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 Sale 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
Total	$70,148,794	$1,305,724	$1,065,250	$ (354,265)	$43,820,512

	Book Value	After Tax Cash Received	Excess Cash Over Book Value
Fixed Assets - Sold	$11,242,909	$18,859,261	
- Abandoned	2,423,837	1,260,395	
	$13,666,746	$20,119,656	$6,452,910

The option to purchase the Chemurgy real estate on August 31, 1961 was exercised by the Central Soya Company. The results of the sale of the business September 1, 1958, the three year lease of the real estate and the sale of the property August 31, 1961, are as follows:

Sale of Business - 9/1/58		
Inventory sold at Book Value		$3,756,249
Receivables assigned - Net		2,898,438
		$6,654,687
Three Year Lease - 9/1/58 through 8/31/61		
Rental Income	$6,525,000	
Depreciation	(6,088,153)	
Miscellaneous Expense	(109,747)	
Net Rental Income		$ 327,100

V Acquisitions, Dispositions and Capital Expenditures

B. Disposition and Shutdowns (Cont'd)

Sale of Property - 8/31/61

Exercise of Option by Central Soya 8/31/61		$8,550,000
Net Book Value 9/1/58	$13,737,369	
Depreciation & Abandonments 9/1/58 - 8/31/61	6,095,301	
Net Book Value 8/31/61		7,642,068
Capital Gain on Sale of Chemurgy Property		$ 907,932

The after tax result of this sale amounts to a capital gain equivalent to $.31 per share in fiscal 1961.

C. Mining Activity

A twenty-year supply of ilmenite ore, representing a substantial portion of requirements, was acquired in October, 1959 at Lakewood, New Jersey. A concentrating and separating plant is planned for completion in late 1962. Capital requirements per B.A.R. are (do not disclose):

Land and Mineral Rights	$ 700,162
Plant	3,633,080
Authorized Capital	$4,333,242
Mine Working Capital	540,000
Total Required for Mine	4,873,242
Adrian Joyce Works Inventory Reduction	(3,300,000)
Net Required for Project	$1,573,242

At August 31, 1961, capital expenditures to date in connection with the Lakehurst Mine were $1,609,492. During fiscal 1961, pre-operating expenses were $348,944 with the development costs of this project to date totaling $537,193.

V Acquisitions, Dispositions and Capital Expenditures

D. Major Capital Expenditures

TO BE ADDED LATER.

V Acquisition, Disposition and Capital Expenditures

E. Extraneous Expenses

	1961		1960	
	Before Tax	After Tax	Before Tax	After Tax
Lakehurst Mine	348,944	167,493	163,604	78,530
St. Helena	27,512	13,206	60,363	29,105
Adrian Joyce Works	59,279	28,454	416,794	200,061
Jacksonville Development	845,026	405,612	479,885	230,345
Dallas Plant	23,356	11,211	-	-
St. Louis Expansion	32,807	15,747	-	-
Emery Plant	28,278	13,573	-	-
Stauffer Property	46,779	22,454	-	-
Abandonments	223,322	107,195	-	-
Capital Gains	(1,045,501)	(779,019)	(390,466)	(292,850)
LIFO Reversal	175,423	84,203	(263,662)	(126,558)
Other	-	-	181,747	87,238
	765,225	90,129	648,265	205,871

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 three scholarships under the auspices of the National Merit Scholarship Corporation. 1961 winners were: Michael Chaback (Lehigh); Jean Ann Klimick (Knox); and John G. Niles (Stanford).

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 such colleges and universities. Contributed in fiscal 1961 - $5,121 to 100 colleges.

3. Chemistry lectureship grants provided to four United States universities 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, such as Case and Western Reserve.

5. Grants to selected foundations, including Ohio Foundation for Independent Colleges.

In the Health and Welfare category, the Company has supported United Fund, Community Chest and Red Cross 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.

	1961	1960	1959	1958
Education	48%	48%	44%	34%
Health & Welfare	45%	45%	51%	57%
Other	7%	7%	5%	9%
Total Donations	$120,571	$108,233	$104,526	$69,066
% of Net Profit	1.88%	1.62%	1.37%	1.14%
Per Employee	$18.92	$17.60	$17.35	$10.95

VI Other Major Functions and Items

B. Audit

Ernst & Ernst representatives present at the meeting will be Messrs. N. T. Halvorsen, Partner and A. A. Wilhelm, Assistant Manager.

Company internal audit staff conducts surprise audits of all operating units on a schedule calling for examinations about once each year.

C. Insurance

FIA coverage on all manufacturing properties except Canada, Buena Park, San Francisco, New Orleans, St. Louis, Minneapolis Varnish only, Portland, Tulsa, Iron Street, Collinsville, Marietta and Johnsonburg. This FIA policy for fire, wind, hail, explosion, aircraft, smoke, vandalism and sprinkler leakage.

FIA coverage is on agreed amount basis, with no co-insurance requirement.

Locations excluded except Canada, St. Louis and Portland are under an Industrial Property Floater for fire, extended coverage, sprinkler leakage and vandalism. Are on co-insurance basis - no agreed amount. St. Louis and Portland are under separate policies for fire, extended coverage, sprinkler leakage and vandalism. Co-insurance basis.

Separate policies are issued for Canadian manufacturing locations. They closely parallel the FIA as far as coverage is involved.

Use and occupancy insurance also in FIA for locations they cover for fire, etc., except Minneapolis, Atlanta, A & E and Carrollton where we have extra expense since other paint plants can make up lost production at increased cost.

Use and occupancy insurance other divisions specific with co-insurance except New Orleans, St. Louis and Portland where we have extra expense since other paint plants can make up lost production at increased cost.

Also carry ocean marine and cargo insurance to extent necessary.

Carry boiler and pressure vessel insurance where necessary.

All employees bonded in substantial amount.

Workmen's Compensation - We self-insure in states where possible (12), with an override $1,000,000 policy for catastrophe. Self-insurance on Workmen's Compensation has saved us over $1,000,000 in the last 30 years.

Also carry comprehensive bodily injury, product liability, and property damage liability.

There were no major fires in the 1961 fiscal year. Seven small fires resulted in total recoverable losses of $19,807. One explosion loss of $9,166. One Sprinkler Leakage Loss of $4,047.

VI Other Major Functions and Items

C. Insurance (Cont'd)

Total cost of insurance premiums for fire and extended coverage on buildings, machinery and equipment and inventory, plus use and occupancy and extra expense, was $270,699 for the fiscal year 1961. (This figure should not be given out.)

D. Foreign Business

The Glidden Company

Export sales (both direct and indirect) totaled $4,606,873 in 1961 compared to $2,147,251 the previous year. In addition, Glidden International sales in 1961 were $2,644,641.

The Glidden Company has ten active foreign licensees and received $126,323 in Technical Service Fees from these licensees in 1961.

A direct stock interest is held in the following companies:

Name	% of Interest	Net Book Cost
Consolidated -		
The Glidden Company, Limited-Canada	100%	$ 50,000
Unconsolidated -		
Glidden International, C.A.-Venezuela	100%	$ 18,018
A/S Fjord-Plast - Norway	25	37,984
Fabrica Nacional de Pinturas,S.A. - Cuba	15.1	-
		$ 56,002
		$106,002

1) The Glidden Company, Ltd. (Canada) - Glidden holds 100% (4,200 shares) at a book cost of $50,000. Shareholder equity at August 31, 1961 was $5,778,730 which is included in the Consolidated Balance Sheet in the Annual Report for 1961.

2) Glidden International,C.A. - Glidden holds 99 shares (1 held by Glidden Ltd.) which represents an actual 100% interest. Glidden International had a consolidated shareholder equity of $883,578 at August 31, 1961 with a book cost to Glidden of $18,018.

3) A/S Fjord-Plast (Norway) - Glidden holds 200 shares representing a 25% interest. Initial operations of the company have resulted in losses which through August, 1961,Glidden's share amounted to $13,140 on an investment totaling $37,984. In October, 1961 The Glidden Company loaned the operation $70,000 to meet current working capital requirements. This loan has been guaranteed by the shareholders proportional to their stock interests.

4) Fabrica Nacional de Pinturas, S.A. (Cuba) - Glidden holds 31,421 shares which represented a 15.1% interest. The company was intervened 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 through this intervention.

VI Other Major Functions and Items

D. Foreign Business (Cont'd)

Glidden International, C.A.

The company is headquartered in San Juan, Puerto Rico, with retail branch locations in San Juan, Ponce and Mayaguez, Puerto Rico, and Panama, Republic of Panama. Collection of accounts is made through the Chase Manhattan Bank, San Juan, Puerto Rico.

Glidden International funds have been primarily secured from accumulated earnings and through borrowings from the Union Commerce Bank, Cleveland, Ohio and The Glidden Company, Ltd. At August 31, 1961, bank borrowings amounted to $825,000 with subsequent payments to date bringing the balance to $675,000. The current rate of interest is 4-1/2%. The loan is guaranteed by The Glidden Company. In March, 1961, Glidden International borrowed $400,000 from The Glidden Company, Ltd. at a 6% interest rate to aid in its financing of the purchase of a one-third interest in the Wulfing (Germany) KG. This investment was channeled through a newly created entity, Glidden Chemie GmbH.

Glidden International has five banking associations:

Union Commerce Bank, Cleveland, Ohio (Borrowing)
Chase Manhattan Bank, San Juan, Puerto Rico
Chase Manhattan Bank, Panama, Republic of Panama
First National City Bank of New York, San Juan, Puerto Rico
Chase Manhattan Bank, Frankfurt, Germany

The accounts maintained include four collection accounts and six working accounts.

At August 31, 1961, Glidden International owed The Glidden Company $241,591 for merchandise purchased during August, 1961.

A direct stock interest is held in the following companies:

Name	% of Interest	Net Book Cost
Consolidated -		
Glidden Panama, S.A. - Panama	100%	$ 20,000
Unconsolidated -		
~~Pinturas Ico, S.A. - Colombia~~	33-1/3%	$ -
Pinturas Ecuatorianas, S.A. and Distribuidora Americanas, C.A.	33-1/3	62,837
Pinturas Centro-Americanas - Guatemala	33-1/3	64,850
General Paint Co. de Mexico, S.A. - Mexico	100	174,900
Industrias Glidden, S.A. de C.Y. - Mexico	100	32,000
Ishihara Sangyo Kaisha, Ltd. - Japan	2.24	-
Glidden Chemie GmbH - Germany	100	6,300
		$340,887
		$360,887

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VI Other Major Functions and Items

D. Foreign Business (Cont'd)

1) Glidden Panama, S.A. - Glidden International holds 1,000 shares representing 100% control. This company is currently operated as a paint branch and is carried at a investment cost of $20,000. Shareholder equity at August 31, 1961 amounted to $143,276.

2) Pinturas Ico, S.A. (Colombia) - Glidden International holds 155,400 shares representing a 1/3 interest. The original cost of $315,504 is fully reserved at August 31, 1961 with $47,504 of this reserve having been provided against operations in fiscal 1961. The Company is being reorganized by its principal creditor, our fellow shareholder, Grace y Cia, with such action eliminating our interest. The current license arrangement with Glidden International will continue with the successor corporation.

3) Pinturas Ecuatorianas, S.A. and Distribuidora Americana, C.A. (Ecuador) - Glidden International holds a combined 320 shares representing a 1/3 interest in both companies at a cost of $62,837. Glidden International's share of shareholder equity at August 31, 1961 was $66,167.

4) Pinturas Centro-Americanas (Guatemala) - Glidden International holds 154 shares, representing a 1/3 interest at a cost of $64,850. Glidden International's shares of shareholder equity at June 30, 1961 was $134,239. At August 31, 1961, Pincasa owed Glidden International $5,085 on open account. Pincasa also owed The Glidden Company $32,365 on open account and $125,000 as a note payable at that date.

5) General Paint Co. de Mexico, S.A. - Glidden International holds all 2,000 outstanding shares with a book cost basis at August 31, 1961 of $174,900. Shareholder equity through August 31, 1961 totals $235,427. A substantial portion of this excess of equity over cost results from the discounting of the original purchase cost at acquisition in September, 1960. Operations for the nine months ending August 31, 1961 resulted in net sales of $325,260 and after tax profit of $10,037. The fiscal year end of this operation was changed during fiscal 1961 from November 30 to August 31.

6) Industrias Glidden S.A. de C.Y. (Mexico) - Glidden International effectively holds all 20,000 outstanding shares and this investment is carried at its cost of $32,000. This corporate entity has never assumed an operating status. Shareholders equity at August 31, 1961 totaled $31,890.

VI Other Major Functions and Items

D. Foreign Business (Cont'd)

7) Ishihara Sangyo Kaisha, Ltd. (Japan) - Glidden International holds 870,764 shares representing a 2.24% interest. These shares have a current market value in Japan of $164,478 at October 16, 1961. These shares were transferred to Glidden International by Glidden in August,,1961 with no book entries being made since Glidden has no book cost basis for these shares. Glidden's tax basis of these shares of $113,717 at August 31, 1961 has been added to the tax basis of its investment in Glidden International.

8) Glidden Chemie GmbH (Germany) - In fiscal 1961, this holding company was established in Germany as the vehicle for Glidden International's investment as a one-third partner in the Hermann Wulfing Wings-Lackfabrik KB. As of August 31, 1961, Glidden International's interest in its wholly-owned GmbH consists of an investment of $6,300, and short and long term loans totaling $1,089,648. Through August 31, 1961, Glidden Chemie's share of the KG profits for the six months in which it has participated amounted to $156,000. The Glidden Chemie's original contribution to the partnership of $650,000 plus payments to the Wulfing family for the excess of real property values over book property values, goodwill and agreement not to compete of $437,500 result in a total cost of the investment at August 31, 1961 of $1,087,500. Annualizing the previously mentioned six months earnings, this forecasts for the Glidden Chemie a 28.8% pre-tax profit on its investment.

Glidden International has ten active foreign licensees and received $231,520 in Technical Service Fees from these sources in 1961. These fees are down from $434,571 in fiscal 1960 primarily as a result of the termination of the TiO_2 contract with Ishihara (Japan) in August, 1960, the $100,000 second installment payment from the Billiton (Netherlands) compared to the initial $200,000 fee received in fiscal 1960 and cessation of fees from Fabrica (Cuba) which amounted to $64,264 in fiscal 1960.

Glidden International is not consolidated with The Glidden Company for reporting purposes. Sales and profits of Glidden International areas follows:

	Sales	Profits
Fiscal 1961	$2,644,641	$288,319
1960	3,255,946	335,071
1959	2,904,516	82,370
1958	3,012,840	68,190
1957	1,684,178	56,603
1956	560,112	32,709

VI Other Major Functions and Items

D. Foreign Business (Cont'd)

Sales decrease of $440,000 in the Organic Chemical Department, $125,000 at the Hato Rey, Puerto Rico Paint Branch, $100,000 in the Food Department and $50,000 in Paint Direct Exports were only slightly offset by a $40,000 sales increase in C-P-M Department and slightly increased sales at the new Puerto Rican and at the established Panama Branch operations.

Although profits suffered resulting from the $200,000 reduction in Technical Service Fees, the $4,500 loss on Organic Chemical Sales compared to a $36,000 profit in 1960, and the final $47,500 realization of loss on the Colombian investment, final profits were down only $47,000 since the initial $268,000 loss realization on the Colombian investment was recognized in fiscal 1960.

E. Miscellaneous

Cost of the Annual Report this year was 23 cents each which was the same as last year. Our 1958 Annual Report was judged best in the Paint and Coatings Industry by FINANCIAL WORLD.

D. E. ERSKINE

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