ANNUAL MEETING OF THE SHAREHOLDERS OF THE GLIDDEN COMPANY, HELD AT THE EUCLID ROOM, STATLER HILTON HOTEL, CLEVELAND, OHIO, ON THURSDAY, DECEMBER 11, 1958.

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Euclid Room, Statler Hilton Hotel,
Cleveland, Ohio
Thursday, December 11, 1958, at 10:00 a.m.

CHAIRMAN DWIGHT P. JOYCE: The meeting will please come to order.

I want to extend a very cordial welcome to all the stockholders and guests present. We appreciate your sincere interest in the activities of our Company, as evidenced by your venturing out in this cold and snowy weather. Someone called my attention this morning to the fact that today is the 41st birthday of The Glidden Company. Forty-one years ago today the Company in its present form started business.

Before proceeding with the business affairs to be considered today, I want all of the stockholders present to understand that this is your meeting. As such, you are entitled to make any comments or ask any questions you may have. Although we would prefer that you save these questions until the question and answer period, please feel free to ask for recognition at any time during the meeting when you think a question is pertinent. When you have been given the floor, I would like to request that you clearly state your name and place of residence. We are keeping an official record of this meeting and a slightly condensed version of this record will be sent to all stockholders with the January dividend. Because of this, we must be sure of identifying each of you who have questions to ask.

Should you desire or need to use them, microphones have been placed in the center aisle and on the sides for your convenience.

Now, I would like to report that the Board of Directors, at its meeting held on November 25, 1958, appointed Mr. R. K. Dutton, Mr. R. A. Augsburger, and Mr. M. W. Peters as Inspectors of Election. A quorum is present at this meeting. Immediately prior to the meeting, the Inspectors reported that 1,848,244 shares are present represented by proxies received prior to the meeting. A final report on all shares represented in person or by proxies will be made later at the meeting, subsequent to the balloting.

All Directors of the Company are present. A partner of the Company's auditor is also present at this meeting.

The secretary will now present a copy of the notice of the meeting.

MR. R. D. HORNER: Mr. Chairman, I have a copy of the notice of the meeting, the proxy statement, and the proxies which were mailed to the shareholders of record as of 30 days prior to this meeting date. I also have a certificate that as of the close of business on November 11th, the record date, the Company owned no treasury shares of its common stock. I would also like to present, as required by law, an audited financial statement of the Company.

CHAIRMAN JOYCE: As the next item of business, we will have the secretary read the minutes of the previous annual meeting of the stockholders which was held December 12, 1957, unless there is a motion to dispense with the reading.

MR. J. C. COTTEE: Mr. Chairman, I move that we dispense with the reading of the minutes of the prior meeting.

MR. R. W. PATTERSON: Mr. Chairman, I second the motion.

CHAIRMAN JOYCE: It has been moved and seconded that we dispense with the reading of the minutes of the previous meeting. All those in favor, signify by saying, "Aye." Contrary? The motion is carried.

Now, I would like to announce that in accordance, with a stockholder's request, the cumulative voting method will be used for the voting of Directors pursuant to Ohio law. I would like to announce at this time that the Board of Directors recommends the fixing of the number of Directors at twelve, rather than the previous eleven members. I would like to explain to the stockholders present that the purpose of this is so we could elect an outside Director.

I will entertain a motion that the Board consist of twelve members this year.

MR. HORNER: Mr. Chairman, I would like to present the following resolution:

"Resolved, That the Board of Directors of this Company consist of twelve members," and I move its adoption.

CHAIRMAN JOYCE: Is there a second?

MR. D. E. ERSKINE: Mr. Chairman, I second the motion.

CHAIRMAN JOYCE: It has been moved and seconded that the number of the Board of Directors be increased to twelve this year. All those in favor, signify by saying, "Aye." Contrary? Carried.

Next will be the nomination of the twelve Directors.

MR. R. E. DORFMEYER: Mr. Chairman, I wish to nominate the following persons for election as Directors of the Company:

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| Mr. Dwight P. Joyce, | Mr. Willard C. Lighter |
| Mr. Alexander D. Duncan, | Mr. Harvey L. Slaughter |
| Mr. B. W. Maxey, | Mr. G. M. Halsey |
| Mr. John H. Weeks, | Mr. W. D. Stallcup |
| Mr. R. D. Horner, | Mr. G. S. Warner |
| Mr. W. G. Phillips, | Mr. W. P. Smith |

CHAIRMAN JOYCE: Is there a second to these nominations?

MR. M. A. DuPONT: Mr. Chairman, I second these nominations.

CHAIRMAN JOYCE: You have heard the slate of Directors. It has been seconded. The Chair will now entertain a motion that the nominations be closed.

MR. W. P. STETZELBERGER: Mr. Chairman, I move that the nominations be closed.

CHAIRMAN JOYCE: Is there a second?

MR. J. C. COTTEE: Mr. Chairman, I second the motion.

MR. LEWIS D. GILBERT: I would like to speak, Mr. Chairman, on the nomination. My name is Lewis Gilbert and I am a shareholder and speaking on behalf of other stockholders who have sent me proxies, too, today. I want to congratulate you on the choice of Mr. Smith as your outside Director and the point that I like is -- and I have liked this over the years -- that when you say you intend to do something, you keep your word. You and I, over the years, may occasionally differ on something, but if you say you are going to do something, you do it, and that I like.

CHAIRMAN JOYCE: Thank you, Mr. Gilbert.

MRS. EVELYN YVONNE DAVIS: Mr. Chairman,

my name is Evelyn Yvonne Davis. I am from Washington, D. C. I would like to see more outside Directors on the Board. Why don't you put a New York banker on your Board? Perhaps we would get some more favorable terms on some of the bank loans. It would certainly add to the prestige of our stock and be good for business all the way around. Maybe you should serve on the Board of some other companies, too.

CHAIRMAN JOYCE: Well, Mrs. Davis -- is that correct, Davis?

MRS. DAVIS: Yes. Davis.

CHAIRMAN JOYCE: Well, Mrs. Davis, I appreciate your comment. This business of getting proper outside Directors is a little complicated and more difficult than it might seem. I hope that some time in the not too distant future, we will have other outside Directors and perhaps a financial man. Does that answer your question?

MRS. DAVIS: Yes.

Then, another subject, I would like to say something else. Why don't you rotate the meeting sometimes to New York City where most of the shareholders are located? I am from Washington myself and it is hard enough to get here. It is a lot easier to get to New York and I am sure it is hard for the other shareholders, too.

CHAIRMAN JOYCE: We feel that in our own case, it is the best policy to have the meetings at the headquarters of the Company.

MRS. DAVIS: Pardon?

CHAIRMAN JOYCE: We feel it is best to have the meetings of our stockholders at the headquarters of the Company where all of our people can be present who want to be to ask questions and so forth.

MRS. DAVIS: Yes, but you could occasionally have a regional meeting.

CHAIRMAN JOYCE: Well, that is a possibility.

MRS. DAVIS: That way, you can go to New York and talk to your contacts there and drum up some more business. (Laughter.)

CHAIRMAN JOYCE: You have heard the motion, which has been seconded, that the nominations be closed. All those in favor, signify by saying, "Aye." Contrary? Carried. The nominations are closed and stockholders who have not turned in proxies may obtain ballots at the inspectors' table at the front of the room, and the inspectors will then canvass the vote.

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I would now like to introduce the Director nominees to the stockholders and give a few brief comments about each one.

On my extreme left, Mr. George S. Warner. Mr. Warner is one of the newer members of our Board, having been elected in 1957. Mr. Warner has over twelve years service in the Company. He was elected assistant comptroller in 1952 and comptroller in 1953.

Next to him is Mr. George M. Halsey. He has twenty-six years of service with the Company. In 1947, he was made manager of our St. Helena titanium oxide plant. In 1950, Director of Manufacturing for Chemicals-Pigments-Metals Division. He was elected vice-president of that Division and a Director of the Company in 1956.

Next to Mr. Halsey is Mr. Willard C. Lighter. He has been with our Company for six years. Prior to joining us, he had eighteen years of service with Kilgore, Incorporated, and held the position of Executive Vice President of their Falcom Company Division, when he left that firm. In 1953, he was elected Director and Vice President of the Chemurgy Division. In 1956, he was elected to the new position of Executive Vice President.

Next, Mr. John H. Weeks. He has been with our company for twenty-four years. In 1949, he was appointed Director of Personnel. In 1952, elected Director. In 1955, elected Vice President of Personnel.

Next is Mr. B. W. Maxey. He came with Glidden eighteen years ago from B. F. Goodrich. In 1948, was elected Comptroller. In 1950, elected a Director. In 1953, elected a Vice President, Finance.

Next is Mr. Alexander D. Duncan, thirty-four years of service with the Company. He has been a Director and Vice President of the Paint Division since 1947.

I am also a candidate for Director and I have been with the Company for thirty-seven years, having been elected first in 1927 and in 1940, was made Vice President of the Paint Division. In 1947, was made President. 1954, Chairman and President.

Next is Mr. Robert D. Horner. Mr. Horner joined Glidden ten years ago. In 1949, he was elected Assistant Secretary. In 1951, he was elected Secretary, and in 1953, a Director. In addition to duties as Secretary, Mr. Horner serves as General Counsel of the Company and heads up our Legal Department.

Mr. William G. Phillips has been with the Company for eleven years. In 1952, he was elected Assistant Treasurer. In 1953, he was elected Treasurer and a Director.

Next is Mr. Harvey L. Slaughter. Mr. Slaughter joined the Paint Division of our Company twenty-four years ago and worked up to the position of Regional Director of the Eastern Division at Reading, Pennsylvania. He later moved over to the Foods Division and was elected Vice President of Durkee in 1953 and a Director of the Company in 1954.

Mr. W. D. Stallcup is just completing his second year as a Director. He has been associated with the Organic Chemical operations in Jacksonville for sixteen years. He became General Manager of that Division in 1948 and Vice President in 1957.

Next is Mr. William P. Smith. Mr. Smith has been nominated as a Director for the first time. He has practiced law in Washington, D.C., since 1928, specializing in Federal taxation, trade, and commerce. In addition to his corporate practice, he represents a number of trade associations in the manufacturing and merchandizing fields and has served as a Director of the River Raisin Paper Company since 1946. Mr. Smith will bring to our Board a valuable insight into governmental affairs and their effect upon the plans and policies of the Company.

(See next page.)

The next order of business will be to approve the action of the Board of Directors in appointing Ernst & Ernst as auditors for the Company. Do we hear such a resolution?

MR. HORNER: Mr. Chairman, I present the following resolution:

"Resolved, The designation of Ernst & Ernst, a firm of certified public accountants, by the Board of Directors of this Company as auditors for this Company be and it is hereby approved." I move its adoption.

CHAIRMAN JOYCE: Is there a second?

MR. D. E. ERSKINE: Mr. Chairman, I will second the motion.

CHAIRMAN JOYCE: Mr. Gilbert?

MR. GILBERT: Mr. Chairman, with your permission, I would like to ask a question of the auditor. Where is my friend?

CHAIRMAN JOYCE: Mr. Halvorson.

MR. GILBERT: There you are. During the year, there was a great deal of discussion about the Atlas Plywood case which came up in the annual report a year ago and I am a shareholder in it. In the September Journal of Accountancy, there was a reply of Pete Marwick, explaining many of the problems which had come up in this case, and they made one point which I think is relevent to all companies. They said that in the matter of purchasing, some companies use a centralized purchasing method; some use a decentralized purchasing method. What I would like to know is, which method does Glidden use?

MR. N. T. HALVORSON: My name is Halvorson, with Ernst & Ernst here in Cleveland. Mr.Gilbert, I believe your question is one that would more properly be directed to Mr. Maxey or Mr. Warner or a member of the Board, at least, of The Glidden Company's internal organization. The Glidden Company, I think, has a policy of both centralized and divisional-regional purchasing, but, quite honestly, the question is not one which the independent accountant is competent to answer, I might say. It is an internal policy matter, rather than an accounting matter.

MR. GILBERT: I think he should know that I agree that it is a managerial matter but I think the independent outside auditor should know which is used, and you have stated that they use both, so I would like to hear how it is worked out.

CHAIRMAN JOYCE: Mr. Gilbert, Mr. Halvorson was correct. We use both methods in our Company. We have, as you know, four major divisions. In paint, we operate on an entirely centralized purchasing setup. We have a purchasing staff here at headquarters that handles all the paint purchases.

Now, in the case of the Durkee Foods Division, on some commodities we do it on a centralized basis, and on others, where it is more advantageous, we do it locally. In the Chemicals-Pigments-Metals Division, that is centralized purchasing controlled from one headquarters point, and I think that is also true of our Organic Chemical Division.

Does that answer your question?

MR. GILBERT: Yes.

Just one other point on that: When it is done locally, how does one check up from top management?

CHAIRMAN JOYCE: Well, when it is done locally, the local purchasing agent or purchasing officer reports directly to the manager and then on important purchases, even if they are done locally, copies of actions go into headquarters for review by our headquarters purchasing department.

MR. GILBERT: Thank you.

CHAIRMAN JOYCE: Mrs. Davis?

MRS. DAVIS: Mr. Chairman, I would also like to direct some questions to the independent auditor.

CHAIRMAN JOYCE: Mr. Halvorson?

MRS. DAVIS: First of all, I would like to know, is the parent company the guarantor of any underlying senior securities of subsidiaries?

MR. HALVORSON: If I understand it, is the parent company the guarantor of any underlying securities of subsidiaries?

MRS. DAVIS: Yes.

MR. HALVORSON: Here again, this is a question which I believe ought to be directed to the Company Treasurer, but to the best of my knowledge, it is not.

MRS. DAVIS: What is the appraised value of the plant and the equipment?

MR. HALVORSON: That is a question which I cannot answer.

MRS. DAVIS: Maybe you can tell me something about this: There is no separate item for good will on the balance sheet. Is there any good will in the assets. (Laughter)

MR. HALVORSON: Not recognized in the accounts. No dollar value is assigned to any good will matters.

MRS. DAVIS: It is one dollar? Why isn't it stated separately like in other annual reports?

MR. HALVORSON: Well, an item of that

magnitude just wouldn't be given that much emphasis in the ordinary presentation of the financial position. It is strictly a token amount.

MRS. DAVIS: Well, on the audited annual report, I think it ought to be a separate item. It is quite important, especially when you compute the book value, to know if there is any good will.

MR. HALVORSON: Well, if it was anything substantial, I think the Company would present it as a separate dollar value somewhere in the balance sheet.

MRS. DAVIS: Could you tell me, perhaps, or maybe the Company Treasurer could, what the depreciation would be had his straight line methods been used throughout, instead of after 1954, when you used the sum of the digit method, which of course increases the depreciation?

MR. HALVORSON: Well, those figures, I know, are available. I certainly couldn't quote them without reference to some of our records or working papers. Possibly someone in the Company organization does have the information. Possibly an officer may even have a mental recollection of it. I haven't.

MRS. DAVIS: I would like to know why the straight line method hasn't been used throughout? We would have had higher earnings.

MR. HALVORSON: Mrs. Davis, I think again you are directing a question to me, which represents Company policies, that ought to be answered by someone in the internal organization.

MRS. DAVIS: Mr. Maxey, can you answer me? You are the Treasurer, aren't you?

CHAIRMAN JOYCE: Mr. Phillips is the Treasurer.

MRS. DAVIS: Oh.

MR. MAXEY: Would you like me to answer this?

CHAIRMAN JOYCE: Yes. You may answer the question, Mr. Maxey.

MR. MAXEY: Your question, I believe, was, had we used a straight line method throughout, would our depreciation have been less?

MRS. DAVIS: Right.

MR. MAXEY: Our depreciation would have been somewhere in the neighborhood of two million dollars less had we not used rapid amortization in 1958 on part of our properties, and the sum-of-digits method since 1954 on other properties.

MRS. DAVIS: I would like to know why you didn't use the straight line method throughout?

MR. MAXEY: That answer is fully obvious, I think, in that it is up to the Company to create the maximum cash flow possible into that Company to be used for further growth of the Company, and had we used straight line on our tax returns, our tax bill would have been just that much higher. We keep our tax returns and our book accounts in balance, handle them the same way.

MRS. DAVIS: I see. Could you answer the other question for me, about the appraised value of plant and equipment?

MR. MAXEY: The insurable value of our plants,which does not include the land and the foundation, is slightly over $100,000,000.

MRS. DAVIS: Well, while I am talking to you anyhow, is there a restriction as to stock dividends as there is a restriction as to cash dividends under indenture?

MR. MAXEY: There are no restrictions in that respect.

MRS. DAVIS: I guess that's all for right now.

CHAIRMAN JOYCE: The motion has been made that Ernst & Ernst act as auditors for the Company. It has been seconded. All those in favor, signify by saying, "Aye." Contrary? Carried.

I would like to announce at this time that any stockholders who have not turned in their proxies may obtain ballots at the inspectors' table at the center of the room and that the inspectors will then canvass the votes.

The next item on our agenda is my report.

At this point in our meeting, it is customary for me to report on a particular phase of our activities which might be of interest to you. In thinking about a subject for today, I felt it would be worthwhile to review a number of important events which have taken place over the past several years. It has been my experience that in the hustle and bustle of everyday living our human tendency is to forget or overlook events that have transpired in the past, but which have an important bearing on the future.

About eight years ago a few of my younger associates and I began to take a searching look at the then existing structure of The Glidden Company and its adequacy for the future. During our initial study, we found that a number of operations, while profitable, required an abnormally large investment in receivables, inventory and manufacturing facilities to produce that profit.

Recognizing that wehad limited funds available for expansion, and that we could obtain more funds only as we produced additional profit, we committed ourselves to getting the most out of the over-all capital entrusted to us. We set as a goal on all company operations, individually and collectively, a return of at least 20 percent profit before taxes on the money invested in these operations. A return of this magnitude would permit a reasonable level of dividends and still provide adequate funds for reinvestment to meet the company's growth needs.

We started out by objectively analyzing each of the operations which were not producing the minimum return. First, we had to find out why. Was it inadequate management? Was it a poor plant location or inefficient production facilities? Did the products still have an economic justification or had they become obsolete? Was it insufficient distribution?

Once the problem was pinpointed, we asked two further questions. Can the operation be brought up to our minimum standards by making the necessary changes? And does the operation fit into our long-range objectives? If the answers were in the affirmative, we have gone ahead and made the changes. Otherwise, we have either sold or abandoned the operation, as we simply cannot afford to have our people and money tied up in investments which are not producing an adequate return.

This program has cut across all areas of our business. In the Paint Division we have added 82 branches in the last four years to obtain better distribution of consumer products. We have added plants at Atlanta, Montreal, Los Angeles, Portland, and Tulsa, and have expanded and modernized our major plants at Cleveland and Reading. We have instituted an aggressive product development program which has resulted in such products as Spred Satin, Spred Glide-On, new industrial coatings and resins.

Our Durkee Famous Foods Division has undergone some of the most significant changes. Through a virorous upgrading program, we have concentrated on specialized products -- such as shortenings for prepared mixes, hard fats for confection coatings and oils for margarine -- and on specialized markets such as the retail bakery trade. In 1952, our copra processing plant at Portland, Oregon, was abandoned due to increasing competition from overseas sources, and in 1954, our cheese business was discontinued.

The major portion of our table margarine and salad products was sold in 1957 because of low return on investment and to permit us to concentrate on the further development of our bulk margarine oil business. In the same year, we closed down our edible oil processing plant at Elmhurst, Long Island, which was uneconomical to operate as a result of poor location. We have since been profitably serving the Eastern markets out of our expanded plants at Louisville and Chicago.

Last year, we completed a new coconut and spice plant at Bethlehem, Pennsylvania, to provide modern, efficient production facilities for these products. Throughout the period during which these changes were taking place, both the bulk and consumer products sales organizations were realigned for more effective market coverage.

Our Chemicals-Pigments-Metals Division bears little resemblance to its old self. Our first disposition occurred in 1951 when we sold our "type metal" business to concentrate on the growing field of powder metallurgy at the Hammond, Indiana, plant. What was once a loss operation has now become one of our most profitable operations. In 1954, we sold our plant at Oakland, California, which produced lithopone -- a pigment largely replaced by titanium dioxide.

Also, in 1954, construction was begun on a $24,000,000 titanium dioxide pigment plant at Baltimore. Our original plant, called the St. Helena Works, was over 20 years old. There was no room for expansion, and costly improvements were required to bring it up to current technological standards. The new plant was virtually completed in July, and has about twice the productive capacity of the St. Helena Works, which was closed down and abandoned this past year. With the new plant we not only have additional capacity, but also have greatly improved our production efficiency.

Earlier this year, the white lead business at Scranton, Pennsylvania, was sold as the demand for this product was insufficient to justify our being active in this field.

The Organic Chemical Division has also undergone a complete transition within the past eight years. Once entirely a producer of naval stores -- turpentine, rosin and related products -- the division's products have now been replaced by terpene chemicals, synthetic resins and tall oil products. Throughout recent years, we have gradually expanded our terpene chemical activities as new products and processes have been developed by our research staff. Right now we are constructing a $2,000,000 plant at Jacksonville to produce synthetic laevo-menthol for the flavoring field. Last year we completed a $3,400,000 tall oil plant which marked our entry into this relatively new group of industrial chemicals.

The Chemurgy Division has been eliminated entirely. Beginning in 1954, we disposed of our mixed feed business at Indianapolis. In this case, we were too small to be successful, and the projected benefits of expansion did not appear sufficiently attractive to justify investing additional money in this business. In 1956, we closed down and abandoned a soybean and flaxseed processing plant in California, which had become a marginal operation. Most recently, the remaining major portion of this division's business was sold to the Central Soya Company, Inc., as explained in our latest annual report.

Up to this point, I have outlined a series of individual actions within our divisional operations. I would now like to point out the over-all effect of these moves.

The operations which we have sold or discontinued produced an annual sales volume of approximately $61,000,000. However, the profit before taxes from these operations was less than $1,000,000 and required a total investment of about $42,000,000. The investment released either already has or will be used to build up our more profitable activities.

In the five years since 1954, when our program actively got underway, we have invested almost $40,000,000 in new plant and equipment for our present business. In this same period, it has only been necessary to increase working capital $6,000,000 as a result of diverting assets from low-profit operations into higher profit fields.

Initially, a major portion of this expansion program was financed by bank loans which were due in the early 1960's. Last month, however, these borrowings were replaced with $30,000,000 of 4-3/4 percent Sinking Fund Debentures, due in 1983. This will permit us to use the cash to be generated from operations and from the Chemurgy disposition for further company expansion rather than for the immediate repayment of debt.

Never in my long-time association with The Glidden Company have we enjoyed such a sound financial position -- a position which will permit us to take advantage of future growth opportunities either through acquisition or internal development.

Having obtained a strong financial structure, we have, at the same time, been building a strong organization, for we are completely dependent upon people to carry us forward. I think it is interesting to note that of the thirteen men in top management posts today, only three of us -- Mr. Maxey, Mr. Duncan and myself -- held comparable positions back in 1950. In the intervening years, through retirements and other changes, a new management group has gradually been developed.

In turn, this group has been attempting to create a depth of manpower and to fill in previously existing weak spots. Within the pastfive years our headquarters staff has been increased 27 percent, stemming from the addition of key planning, supervisory and control functions.

Among the many additions made have been:

1. A long-range planning group to critically analyze present products and profits, study avenues of future research, and to investigate new fields of activity.

2. Centralized research management to correlate individual unit research and institute over-all company research.

3. A centralized engineering department to plan and supervise new plant construction and to study, improve and modernize existing plants.

4. New financial analyses and controls to provide the information necessary for more effective management action.

5. Broader marketing activities for better direction and control of our over-all selling and distribution efforts.

A similar expansion of personnel and their activities has taken place in our field operations. Since 1954 our sales force has been increased 42 percent and now numbers over 1,300 people who are directly engaged in selling activities. The efforts of this group were in large part responsible for the excellent recovery in sales and earnings experienced since last winter.

In the eight years since 1950, sales of our present four divisions have increased from $155,000,000 to $185,000,000. This has been accomplished in spite of the fact that during this period we discontinued operations within these divisions which had sales in excess of $21,000,000.

In the face of substantially higher depreciation charges plus non-recurring start-up and shut-down expenses, the gross profit of our remaining four divisions has been increased from 32.5 million dollars in 1950 to 44.5 million dollars in 1958 and our gross profit margin has gone from 21 percent to 24 percent.

These improvements are yet to be reflected on the net income line which, of course, is of most interest to you. Higher selling and administrative expenses, created by the addition of sales, research and management personnel, have virtually offset the gains in gross profit. These people, however, have been added to provide further gains in sales and gross profit, and this I am confident they eventually will do.

I think you will agree that The Glidden Company has undergone some rather significant changes in the past eight years -- changes which were designed to help us reach the profit goals set in 1950. We are still a good distance away from these goals, and they will not necessarily be easy to reach, but for the first time in this period, the path is clear so that all our resources can now be devoted to major profit improvement.

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Before proceeding with any questions you may have concerning our company, I would like at this time to request a report by the inspectors on the balloting.

MR. R. K. DUTTON: Mr. Chairman, the Inspectors of Election wish to report that of the 2,299,720 shares of common stock of the company entitled to vote at this meeting 1,848,464 shares are present at the meeting either in person or by proxy.

These shares represent 80.38 percent of the total shares at the time of the vote.

With respect to the election of Directors, the inspectors report that each of the Directors nominated received the affirmative vote of 1,848,209 shares of the common stock of the Company.

The inspectors also report that there were 1,849,032 shares in favor of the resolution approving the designation of Ernst & Ernst. 6,532 shares were voted against the resolution.

Mr. Chairman, the inspectors' final certificate will be attached to the minutes of the meeting.

CHAIRMAN JOYCE: Thank you, Mr. Dutton.

I therefore announce the election of the Directors and the approval of the resolution appointing the auditors.

Now, before going on to the question period, I would like to make a couple of comments.

This year we have received a number of unusually fine comments on our annual report, comments on the report itself and also comments complimenting the progress of the Company during the past year. I am happy to say that we did not receive any adverse comments about the Company from anyone.

Ladies and gentlemen, the meeting is now open for questions.

Mr. Gilbert.

MR. LEWIS D. GILBERT: Before coming to the questions, there is one other point that I would like to bring up.

In the course of the year stockholders send me from all over the country clippings about companies where we are mutual owners, and during the course of the year I received two which concerned Glidden, and I want to congratulate you in both cases.

I think we are extremely fortunate in having Mr. Gordon Sutton in our industrial relations. He has courage, he has ability, and he knows how to make friends from all places where they count.

The second point that I want to comment on is in regard to Mr. L. W. Lawson in Canada, the article

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which I saw in the Financial Post of November 15th, where he says, "We are setting up a program in Canada to educate businessmen," shows that he, too, knows his business and he is going to be successful in Canada and help Glidden stockholders.

And this is the kind of teamwork which you have referred to in your message which is building up a great company in Glidden.

CHAIRMAN JOYCE: Thank you.

MR. GILBERT: Now, so much, Mr. President, for the comments of that nature.

I now have a few questions which I would like you to answer us about.

The report is excellent, as always, and you know, as I said last night before the Treasurers' Club, this is a model for American industry, because it tells us the things we want to know and we only have to supplement by asking the other points, as Mrs. Davis and I have done today.

Among the things which we did during the year and the annual report notes, we acquired part of the General Paint business.

Now, I happen to be a General Paint stockholder and it was always a very poor business. I mean they never could make money. Why do you think that we can make money where they couldn't make money?

(Laughter.)

CHAIRMAN JOYCE: Well, Mr. Gilbert, that's a good question and I'd be glad to answer it.

Number 1, they had a number of branches in various desirable locations. You are well acquainted with our own branch program. We are expanding our branches.

Secondly, in spite of the vicissitudes of General Paint, down through the years they had a fine reputation for quality paint. Many of their people throughout the organization were very capable people. We have taken all those capable people in our Company. By combining General Paint activities with our activities we have a joint operation where we carry the overhead over these two sales sources, and already I am happy to tell you that from its very inception we have made money on General Paint every month since we have had it and it's getting better as time goes on.

MR. GILBERT: Thank you.

Which raises another point which was raised to me last night. There seems to be an impression that we continue to lose money on the titaneum and I don't think that's correct on that new plant.

Will you comment a little bit on that?

CHAIRMAN JOYCE: Yes, that is not correct. We have made money on titaneum regularly.

I'd like to ask our Controller, Mr. Warner, to comment on that.

Mr. Warner, could you give us a few comments on that?

MR. G. S. WARNER: Yes, Mr. Gilbert brought it up last night and I did do a little checking on it. The last time we ever lost money on titaneum, Mr. Joyce, was 1945.

And I think, Mr. Gilbert, it may have been from the way we presented the abandonment loss in our annual report that might have given that impression, but if we assign that abandonment loss to titaneum, it still made a good amount of money.

MR. GILBERT: Thank you.

Will you say alittle more about current business, Mr. Joyce?

CHAIRMAN JOYCE: Yes, I'd be happy to.

Current business is very good. We have not as yet received our first quarter figures, but they will be very substantially ahead of the first quarter last year, and the outlook in all of our divisions is excellent.

I asked each of our operating vice presidents and our staff people, Mr. Gilbert, to give me a little prognostication for the months ahead at the time of our last Directors' meeting, and I received those yesterday, and without exception they look for much improved performance over last year.

MR. GILBERT: Now, on Page 4 of the annual report we are definitely told and given all the information I think we need on the sale of the Chemurgy and how we come out on that, but there is this paragraph, "In January, we abandoned our destructive distillation operations at Jacksonville, Florida, and in March we disposed of our Scranton, Pennsylvania, white lead operations." How did we come out on those two?

CHAIRMAN JOYCE: Is your question how we came out financially on those things?

MR. GILBERT: Yes, sir.

CHAIRMAN JOYCE: Mr. Maxey, do you want to answer those questions?

MR. B. W. MAXEY: Yes, I will, Mr. Joyce.

Both of these operations were small and the pre-tax loss on abandonment of the two operations in total was less than $40,000.

MR. GILBERT: And two other

questions and then I am finished.

There was no mention of our relationship with Grace. How is that working out?

CHAIRMAN JOYCE: It's working out very well. We are engaged, as you know, Mr. Gilbert, in several joint ventures with Grace. We have had a little difficulty with some of them in South America, Colombia being one country where they had some political upheavals, which has caused us to have a little realignment of personnel and one thing and another, but basically our relationships are very friendly. The Grace Company are good customers of ours and the Paint Division and other units of our Company and I think as the years go on the relationship will become closer than it is right now.

MR. GILBERT: Thank you.

And the last question, on Page 9, "Shortly after the close of the fiscal year, we acquired R. C. Pauli & Sons, a small, but prominent, bulk spice processor on the West Coast."

Would you tell us a little more about how much that cost, and so forth?

CHAIRMAN JOYCE: Mr. Maxey, you have the figures on Pauli?

MR. MAXEY: Yes, the total Pauli

investment, what we took over and what we will have to put in, will run in the neighborhood of $200,000.

CHAIRMAN JOYCE: $200,000.

MR. MAXEY: Very small as such.

MR. GILBERT: Thank you.

CHAIRMAN JOYCE: This gentleman had a question back here.

MR. STANLEY MAYNARD: My name is Stanley Maynard. I live in Cleveland. And if I might echo the comments of Mr. Gilbert on your annual report as being one of the best and I will leave it, but there are three questions I would like to ask.

On Page 4, "Central also has an option to purchase these properties on August 31, 1961, with $8,550,000, payable in cash."

Is that payable at one time or over a period of years?

CHAIRMAN JOYCE: The final cash payment?

MR. MAYNARD: Yes.

CHAIRMAN JOYCE: That's a one time.

MR. MAYNARD: One time? In other words, Glidden in 1961 will get an extra $8,000,000 in cash?

CHAIRMAN JOYCE: If they exercise

their option.

MR. MAYNARD: On Page 5, under, "Subsidiaries," it says, "We have continued to expand the activities of Glidden International." What countries does that involve?

CHAIRMAN JOYCE: Well, it involves a great many countries. It involves a number in South America. It involves England, France, Spain, some in Africa, I believe, and it pretty much covers the world. Japan, Australia.

MR. MAYNARD: Well, one reason behind that question is a selfish one. I took a trip around the world the early part of this year and I was in many of those countries.

A third question, no mention is made -- no particular mention is made of labor relations in the annual report. Would you say they are in a satisfactory status at this time?

CHAIRMAN JOYCE: I think our labor relations are in a very satisfactory status. We have about forty manufacturing plant operations. They are all unionized. We have had very friendly and cooperative experience with all of the labor.

MR. MAYNARD: Now, in your comparison figures on Page 18 it shows the sales in

1951 were $228,000,000. Now, the next seven years, there was no year that equaled 1951. Do you think that you have really climbed in the quarter and that in 1959 sales will be substantially higher, not just a little higher? It is unusual to go seven years and still not be much higher.

CHAIRMAN JOYCE: Well, I have two comments to make in answer to your question.

One is that, as we have often said, the sales figures in our business aren't as indicative of progress as they are in some other businesses, because a large segment of our business is the bulk business of Durkee Division where we make processing profit and it depends on the price of the oils. That year domestic oils and foreign oils were very high priced and our sales were bigger.

I will say this, sir, that in our four remaining divisions -- bear in mind we can now dispose of Chemurgy and some others -- the four remaining divisions, the sales outlook is very, very good for this year and I think it will be substantially higher than last year's figures.

MR. MAYNARD: Now, the last question, recently in Ohio, the election on the Right-to-Work Bill, over a million people voted in favor of it. There were several other States where they had the same election, so therefore maybe, oh, two million people, we will say, voted in favor of the Right-to-Work Bill.

Now, in the Cleveland News on Friday, October 24th, in headlines, it says, "Glidden executive against the Work Bill."

And farther down it says, "'I am against the darn fool thing,' Weeks said in confirming a report that a member of his department will oppose the anti-union shop amendment at a forum next week."

The reason I bring up this question is that there are a couple of million people who voted in favor of the bill, and to be told that they were voting for a darn fool thing, while they might possibly be darn fools in voting for it, it is getting into a highly controversial situation that could affect sales of The Glidden Company.

My question is this: Is a decision to oppose or be in favor of a controversial thing such as that left up to the individual executive or is it passed by a committee?

CHAIRMAN JOYCE: I would like to comment on that, sir. We have a firm policy in the Company that our company as a company cannot take positions on controversial issues. As you point out, we have three groups to think about -- our stockholders are one, our customers are another, our employees are a third -- and you are not always going to get unanimity of opinion. We do, however, defend the right of any individual in this Company to say what he feels on any subject.

Now, Mr. Gilbert referred to Mr. Sutton's remarks, and he was opposed to that amendment, and as an individual he didn't speak for The Glidden Company.

Now, Mr. Weeks tells me that quote that was made, he didn't say, "a darn fool thing." He didn't say that. He was misquoted on the thing.

I might say to you, sir, that after that happened we did have some comment that you might be interested in knowing. There was as much favorable comment about it as unfavorable.

But I have cautioned all members of our Board and all officers to be very careful about what they say on any issues of that kind for fear they might be misconstrued or might be construed as being a company viewpoint.

Does that answer your question?

MR. MAYNARD: Yes. I am very glad to hear you say that, because when I read about

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The Glidden Company, even though misquoted, I thought it was bad company policy.

MR. GILBERT: I'd like to get into that act, because I disagree with my friend over here on this particular point, and I would like to read the comment in The Cleveland Press, because I think it brings up this thing very, very well, and I think the majority of the State of Ohio felt exactly the same way.

Mr. Sutton said his views against the amendment were his own and that The Glidden Company itself had not taken a formal stand on the issue, and what Mr. Sutton said was, "I may be the first to speak out this way, but I know of many others in management positions who feel the Right-to-Work amendment would be bad for this State. The issue in this State has come to be a battle between union and management. It is unfortunate that it has become a political issue with both sides playing on emotions."

The point thatI am bringing out is that one of the things which has weakened the United States in its global battle today is there has been a tendency to too much conformism, and I am delighted to see a little individual initiative, speaking as an individual.

And on another issue, you will recall, during the year our Chairman himself stated his personal views, and they happened to coincide with mine, on the foreign situation and I congratulated him on those views, which were expressed in The Wall Street Journal, and that was not on this issue but an entirely different one.

CHAIRMAN JOYCE: Thank you, sir.

Mrs. Davis.

MRS. DAVIS: Mr. Chairman, Evelyn Davis.

I have a few more questions here. On Page 7 of the annual report of our Paint Division, I want to congratulate them for having these "Improved gross margins, resulting from manufacturing efficiencies and marketing emphasis on more profitable products, offset ... higher selling expenses and produced significant increase in profits."

In other words, it is possible that higher selling expenses can be offset by other things, and I wish the other divisions would have the same thing, and it's very important because it is practically a universal law of security analysis that those units in an industry or in a company that have the highest margin of profits can best withstand recession, and that is what is most important, too, to the shareholders. It's not net sales but the margin of profit, the percentage.

CHAIRMAN JOYCE: That is right.

MRS. DAVIS: What are these other investments on Page 20?

CHAIRMAN JOYCE: Mr. Maxey, would you comment on that?

MR. MAXEY: Your other current accounts, advances, and investments?

MRS. DAVIS: I can't hear you.

MR. MAXEY: I say you are questioning the other current accounts, advances, and --

MRS. DAVIS: No, which are the other investments?

MR. GILBERT: Other investments.

CHAIRMAN JOYCE: What are the other investments?

MR. MAXEY: That's what I say. You are questioning the $1,900,000?

MRS. DAVIS: No, what they are.

MR. MAXEY: Yes, what they are.

MRS. DAVIS: Yes.

MR. MAXEY: Yes, those are primarily advances to our various operating units as such. There are no outside investments, that is, in other companies other than those under our control in

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that particular category. We have no investments in other companies.

MRS. DAVIS: But they are for subsidiaries.

MR. MAXEY: Yes.

MR. DAVIS: Well, that sort of correlates with one of my earlier questions, if the parent company was the guarantor of any issues of subsidiaries. It is, then?

First he says they are not and now you say they are.

MR. MAXEY: We are not guarantors of issues. You asked your other question if we were guarantors of senior securities.

MRS. DAVIS: Well, these are not senior securities?

MR. MAXEY: We are holders of investments in these subsidiaries as such in the form of equity or advances to them, but we are not guarantors of senior securities of these subsidiaries.

MRS. DAVIS: I see.

MR. MAXEY: The subsidiaries have no senior securities.

MRS. DAVIS: All right.

Then I would like to know which ones are creditor banks.

MR. MAXEY: Pardon?

MRS. DAVIS: Are creditor banks. Which ones are they?

CHAIRMAN JOYCE: What are the creditor banks?

MRS. DAVIS: For instance, the Chase Manhattan Company, The Cleveland Trust Company.

MR. MAXEY: Our chief banking connections are the Chase, the First National City of Chicago, the First National City of New York, the Continental Illinois of Chicago, the First National of Chicago, and your Cleveland banks.

MRS. DAVIS: We owe money to all of them?

MR. MAXEY: Right.

MRS. DAVIS: O.K.

And then for my last question, whom do we pay royalties to?

CHAIRMAN JOYCE: Who do we what?

MRS. DAVIS: Who do we pay royalties to?

CHAIRMAN JOYCE: Oh, we pay royalties to a number of different people, different organizations, various of our divisions. Of course, we have a lot of people who pay royalties to us, too, and I think we can safely say we get more royalties than we pay out in royalties. We receive more royalties.

But each of our divisions, Mrs. Davis, may have -- well, for example, in our Food Division they may have a product, an intermediate product, they might want to buy that is manufactured and patented by some other person and they would be willing to pay a royalty to use that product. But there are a whole lot of them, maybe 15, 20, 25, something like that.

MRS. DAVIS: I have one more comment to make. I wish you would stress through the financial services our very high cash flow earnings. In other words, the general public will become more aware of our stock, because it's still statistically cheap compared to other capital stocks.

CHAIRMAN JOYCE: Thank you very much.

MRS. DAVIS: I bought it at the big price of 30, but it's still a good buy. (Laughter.)

CHAIRMAN JOYCE: Are there any other questions?

Well, ladies and gentlemen, it's been very nice to have you here with us today, and I have enjoyed seeing you all and getting a chance to know some of the people, shake hands with some of the people I haven't met before, and I hope to see you all around here next year at this same time.

(Applause.)

CHAIRMAN JOYCE: Thank you very much.

The Chair is open for a motion for adjournment.

MR. M. A. DUPONT: Mr. Chairman, I would like to make a motion that this meeting be adjourned.

CHAIRMAN JOYCE: Second?

MR. R. E. DORFMEYER: Mr. Chairman, I will second it.

CHAIRMAN JOYCE: All in favor signify by saying, "Aye." Contrary?

The meeting stands adjourned.

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