ANNUAL MEETING OF THE SHAREHOLDERS OF THE GLIDDEN COMPANY, HELD AT THE EUCLID ROOM, STATLER-HILTON HOTEL, CLEVELAND, OHIO, ON THURSDAY, DECEMBER 10, 1959.

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REILENDER, DONLEY & FERRIS
SHORTHAND AND STENOTYPE REPORTERS
1268 UNION COMMERCE BLDG. • CLEVELAND 14, OHIO
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Euclid Room, Statler-Hilton Hotel,
Cleveland, Ohio,
Thursday, December 10, 1959,
at 10:00 a.m.

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

First I would like to say how pleased I am to see the turnout today. We ordered a better day than we got last year and the year before.

First I would like to announce that the Board of Directors, at its meeting held on November 24, 1959, appointed Messrs. R. K. Dutton, R. A. Augsburger, and M. W. Peters as Inspectors of Election. Immediately prior to the meeting, the Inspectors reported that proxies had been received for 1,852,453 shares of stock, which amounts to 80.22 percent, and constitutes a quorum. A final report on all shares represented in person or by proxies will be made later in the meeting, after the balloting.

All Directors of the Company are present.

Representatives of the Company's auditors are also present.

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

MR. R. D. HORNER: Mr. Chairman, I wish to present a copy of the notice of the meeting, proxies, and proxy statement, and my affidavit that these materials were mailed to shareholders entitled to notice of the meeting 30 days' prior to this meeting.

I also want to present a certificate that as of the record date there were no treasury shares, and to present a balance sheet, and operating statement, as required by Ohio law.

CHAIRMAN JOYCE: The secretary will now read the minutes of the previous annual meeting of the stockholders which was held December 11, 1968, unless there is a motion to dispense with the reading.

MR. C. E. CARNEY: Mr. Chairman, I move that we dispense with the reading of the minutes.

MR. R. F. GROVES: Mr. Chairman, I second the motion.

CHAIRMAN JOYCE: It has been moved and seconded that we dispense with the reading of the minutes. All in favor signify by saying, "Aye." Contrary? It is so ordered.

In accordance with the stockholders' request, the cumulative voting method will be used pursuant to Ohio law for the election of Directors.

Your Board of Directors recommend the fixing of the number of Directors at 12, and requests that the resolution of the Board be presented.

MR. HORNER: Mr. Chairman, I wish to propose the following resolution:

"Resolved, that the Board of Directors of this Company consist of 12 members."

I move its adoption.

MR. STETZELBERGER: I second the motion.

CHAIRMAN JOYCE: It is moved and seconded that the number of the Board of Directors be fixed at 12. All those in favor signify by saying, "Aye." Contrary? Carried.

The next order of business is the nomination of the 12 Directors.

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

Dwight P. Joyce,
Alexander D. Duncan,
Beauford W. Maxey,
John H. Weeks,
Robert D. Horner,
William G. Phillips,
Willard C. Lighter,
Harvey L. Slaughter,
George M. Halsey,
W. David Stallcup,

George S. Warner, and

William P. Smith.

CHAIRMAN JOYCE: Is there a second to the nominations?

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

CHAIRMAN JOYCE: The Chairman will entertain a motion that the nominations be closed.

MR. J. C. COTTEE: Mr. Chairman, I move that the nominations be closed.

MR. CARNEY: I second the motion.

CHAIRMAN JOYCE: The nominations are closed.

The stockholders who have not turned in their proxies may obtain ballots at the Inspectors' table at the front of the room, and the Inspectors will then canvass the vote.

MR. LEWIS E. GILBERT: Mr. Chairman, I just have one question in regard to the election of the Directors. Might I ask you how many Directors' meetings were held during the year?

CHAIRMAN JOYCE: Twelve Director meetings were held during the year.

MR. GILBERT: Thank you.

CHAIRMAN JOYCE: I am now going to introduce the Directors to the stockholders present.

Beginning at my far right, Mr. George S. Warner is one of the newer members of our Board, having been elected in 1957. Mr. Warner, who has over 13 years of company service, was elected Assistant Controller in 1952 and Controller in 1953.

Next is Mr. George M. Halsey, who has had 27 years of service with our company. In 1947 he was made manager of the St. Helena titanium dioxide plant. In 1950 he was made 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 is Mr. Harvey L. Slaughter. Mr. Slaughter jointed the Paint Division of our company 25 years ago and worked up to the position of Regional Director of our Eastern Region at Reading, Pennsylvania. He later moved over to the Food Division and was elected vice president of Durkee in 1953 and a director of the company in 1954.

Next is Mr. Willard C. Lighter, who has been with The Glidden Company for 7 years. Prior to joining us he had 18 years of service with Cargill, Inc. and held the position of Executive Vice President of their Falk & Co. Division when he left that firm. In 1953 he was elected a director and vice president of the Chemurgy Division.

In 1956 he was elected to the position of Executive Vice President.

On his left is Mr. Alexander D. Duncan, who has had 35 years with our company. He has been a director and vice president of the Paint Division since 1947.

He also is responsible for Glidden's international activities.

To my left is Mr. Robert D. Horner, who joined Glidden 11 years ago. In 1949 he was elected assistant secretary, in '51, secretary, and '53, a director. In addition to his duties as secretary, Mr. Horner serves as general counsel of the company, and heads up our Legal Department.

Next is Mr. B. W. Maxey, who came with Glidden 19 years ago from the B. F. Goodrich Company. In 1948 he was elected controller. In 1950 he was elected a director, and in 1953 he was elected vice president - finance.

Next is Mr. William P. Smith, who was elected a director last year. He is our only outside director at the present time. He has practiced law in Washington, D.C. since 1928, specializing in Federal taxation, trade, and commerce. The experience gained from his wide associations in government and industry have permitted him to make many valuable contributions to our Board.

Next is Mr. John H. Weeks, who has been with our company for 25 years. Mr. Weeks was appointed Director of Personnel in 1959, elected a director of the company in 1952, and in 1955 he was elected vice president-personnel.

Next is Mr. W. G. Phillips, who has been with the company for 12 years. In 1952 he was elected assistant treasurer, and in 1953, treasurer and a director.

Next is Dr. W. D. Stallcup, who is just completing his third year as a member of our board. He has been associated with our Organic Chemical operations in Jacksonville for 17 years. He became general manager of that division in 1948, and a vice president in 1957.

As for me, I have been with the company for 38 years. In 1927 I was elected a director, in 1940 elected vice president in charge of the Paint Division, in 1947, president, and in 1954, Chairman and President.

The next order of business will be the vote on the proposed 1959 Stock Option Incentive Plan, and I request a resolution be presented for its approval.

MR. HORNER: Mr. Chairman, I propose the following Resolution:

"Resolved, that the 1959 Stock Option Incentive Plan adopted by the Board of Directors on June 23, 1959, subject to the authorization of said plan by the shareholders of the Company, and subject also to the release from preemptive rights of 100,000 authorized and unissued shares of common stock, as provided by the Ohio General Corporation law, be, and it is hereby authorized, adopted, and approved, and further resolved that 100,000 shares of authorized and unissued common stock of the company be, and they are, hereby released from the pre-emptive rights of offering or sale or the grant of options with respect thereto under said 1959 Stock Option Incentive Plan."

I move its adoption.

MR. STETZELBERGER: I second the ~~adoption.~~ Motion

CHAIRMAN JOYCE: The motion has been moved and seconded. Any stockholders who have not turned in their proxies may obtain ballots at the Inspectors' table at the front of the room, and the Inspectors will then canvass the vote.

Mr. Gilbert?

MR. GILBERT: I arise, Mr. President, to speak against the Option Plan which is before us today.

Very frankly, I have seen much worse option plans than this one, and I do think you are to be congratulated for putting in the 100 percent protection instead of the 95 percent in the past one. I also like the age limit which you have brought in, and I am glad that you, yourself, are not participating in the Option Plan.

These are all fine protections for the shareholders, but we think that in option plans we should have two other important protections, and that is we think that there should be a definite restriction that the person who exercises an option should be willing to hold it for a very definite period of time after he has exercised it, because prior to it he puts no money down. We have our money down. It stays here, we take the risks. It is a risk-free investment until it is exercised. He is without such a restriction, perfectly free, after six months after the exercise to dispose of it and take the 25 percent capital gains.

We think that The Glidden Company should follow the policies of such companies as Lorillard, Twentieth Century Fox, and G. W. Hamilton, which have definite two-year holding clauses after exercised.

I was informed -- and I am not a stockholder in Eaton, so I do not know if I am correct in this -- but I am informed that the Eaton plan in Cleveland also has a several years' clause after exercise.

In conclusion, I would like to comment, and show you also why this whole question of options is such an important one from the viewpoint of all shareholders, and the country, too, and why we have to ask that there be the maximum of protection, and why we are prepared to use the proxy statement next year to request that these two kinds of protection which we advocate go into any future plans which the company may have -- I read here the article by Mr. J. A. Livingstone in the Washington Post and in the Philadelphia Bulletin, and which occasionally appears in the Cleveland Plain Dealer, I understand. It is syndicated throughout the country.

A stockholder was protesting against an option, and Mr. Livingstone said, "The stockholders' letter reopens the broad question of Stock Option. Whom do they fundamentally help, the stockholders who will be enriched by the encouragement they impart officers, or officers who will be enriched by the risk-free capital gain profit? A Stock Option is a preferred type of remuneration, inured against the tax collector. It is reserved to corporation officers and sometimes investment bankers. The average worker, schoolteacher, government official, or college professor" -- and I would also add, shareholder -- "doesn't get stock options. He has to pay taxes on his income according to his bracket of earnings."

And in the New York Times of yesterday -- and I am reading from the Herald, but it was the same story -- the Dean of the Harvard Law School raised this entire question before the Mills Committee at the present time, "Dr. Irwin N. Griswold, Dean of the Harvard Law School, called today for public disclosure of the tax benefits some corporation executives are getting from a tax gimmick that permits them to play heads I win, tails you lose, on the stock market. This is a one-way lottery, which is understandably attractive to those who are favored by it," Dr. Griswold said.

And finally, on this general subject of Stock Options, I call your attention to the very fine review of them which appeared in the American Institute of Management booklet of September 1959, called, "Stock Option and Purchase Plans," and these are Mr. Martindale's conclusions:

"The record of stock options is still harder to determine. Some are more monuments to management greed than examples of proper incentive compensation . To be sure, option plans and rises in the price of stock seem to go together, but which is cause and which effect is not always apparent, but an option plan, tied as it is to the overall welfare of the company, is in many ways preferable to a bonus on sales. To summarize, any management is well advised to study the possible application of these plans to his own situation. There are few inherent dangers and many potential advantages in them. Used judiciously they promise to meet the end for which they are intended, but they demand exceptional vigilance on the part of the directorate, lest they be misused. In this manner the trusteeship function of the Board is real, urgent, and continuing," and I would only add, this is also the function of the sharholders in urging these changes when we improve our future option plans.

CHAIRMAN JOYCE: You are certainly entitled to your opinion. Any other comments on the Stock Option Plan?

Mr. Barnes?

MR. BARNES: Ladies and gentlemen, I am a small stockholder of The Glidden Company, and as such I would like to put in my two bits also on this Stock Opion Plan.

It seems that we have an objection here from Mr. Gilbert to the Stock Option Plan. He says in the stock market it is a heads I win, tails you lose deal. Well, I don't quite believe that.

Number 1, if I knew how in the stock market to make a million dollars, I would do it myself, first, and then I would tell everybody else how to do it, but I don't think anybody knows how to do that. This is a risky business. We all have risks.

Now, Number 2, we are stockholders of The Glidden Company because we put our faith in The Glidden Company, and we believe that Mr. Joyce and members of the Board, and the officers and employees of this Company are doing a good job for us, and we think they are going to continue to do a good job for us, but we are not locked into Glidden Company for the rest of our lives. We can turn around tomorrow morning and sell our stocks if we don't like it, so therefore I think that Mr. Gilbert's objection to the Stock Option Plan is a little bit tough. I don't think it is a bonafide objection, and one that we should put too much credence into.

I believe in our Board of Directors we have here, and I think they are going to look out for our welfare. We have an incentive plan for them, and when you give a man an incentive plan I like the thought that he is not going to work just from 9:00 to 5:00 in the day, he is going to work in the evening, too, and he is going to be out trying to get more business for The Glidden Company.

Now, just look at your results this past year. You have had a six percent increase in sales, but guess what, you have got a fifty percent increase in net income. Now, if this company can do that for the next few years, boy, I sure want to stick with The Glidden Company, and I urge you to vote your shares in favor of the Stock Option Plan.

Thank you.

CHAIRMAN JOYCE: Thank you very much.

MR. GILBERT: Mr. Chairman, I have no

desire to belabor the point. I would simply like to answer a few of the points. What the previous speaker has forgotten is that options dilute equity and therefore are a matter of very important concern to the shareholders, and the question of voting for or against proposals which are made by management or by shareholders have nothing to do with confidence or lack of confidence in the general ability of this management, to which I yield to none, in running the affairs of The Glidden Company. There are not any arguments. These are isolated matters of philosophy and opinions, and no one can be 100 percent sure that they are right or wrong.

MR. BARNES: Mr. Chairman, may I just add one more thing here: I quite agree with you that the Stock Option Plan does dilute equity, but I also understand that the bull fellow thinks that the stock market is going up, the bear thinks the stock market is going down, but the hog, he doesn't get a thing. All he gets is the losses. Now, I would rather not be a hog and let the Board of Directors have their Stock Option Plans. Thank you.

CHAIRMAN JOYCE: Any stockholders who have not turned in their proxies may obtain ballots at the Inspectors' table at the front of the room, and the Inspectors will then canvass the vote.

CHAIRMAN JOYCE: ... s been for some
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its adoption.

MR. ~~ERSKINE~~ Stalker: Mr. Chairman, I se...
the ~~resolution.~~ motion

MR. GILBERT: Mr. Chairman, I would like now to ask a few questions of the auditors.

CHAIRMAN JOYCE: Will the auditors please rise and identify themselves.

MR. NEWMAN HALVORSON: I am Newman Halvorson, a partner of Ernst & Ernst, and I have with me Mr. Wilhelm, assistant manager of our firm, who is directly in charge of the audit engagement, and has been for some years past.

MR. GILBERT: I have three points to put to the auditors, and these are some of the most important things that we do at the annual meeting, is to ask questions of our auditors and find out where we stand, because these are our watchdogs during the year.

I read from today's New York Times -- I don't know if you have seen the particular item -- "'Alexander L. Guterma never refused to supply information to independent auditors, but they never got all the information they wanted,' one of them testified yesterday. The witness was Firman H. Hawes of Ernst & Ernst, Certified Public Accountants."

And then further down it quotes, "'Mr. Hawes testified yesterday that Mr. Guterma usually replied to requests for information by saying it was not ready. On other occasions he directed subordinates to make it available, but did not see to it that this was done,' according to the witness. 'We just didn't get it,' he asserted. He said he still had not received enough information to certify the Jacobs 1958 annual report as accurate. According to Mr. Hawes he never received access to all the Jacobs home office books and records, or the financial statements of his subsidiaries."

Might I ask you if you at any time have any trouble in getting all the information you want promptly and reasonably from this company?

MR. HALVORSON: We have never had any denial or refusal to furnish any information requested. There has never been any equivocation or delay in offering us all of the assistance, all of the answers, all of the information that we feel is required for our purposes.

MR. GILBERT: Splendid. And the next question that I would like to put to you -- and I read you from the New York Evening News as of last April 16, the following statement, and ask you if in your opinion anything like this can happen here: "$5,000,000 error told. Inventory discrepancy at the Western Electric Conny plant is revealed. Western Electric Company discovered a discrepancy of about $5,000,000 in its inventories earlier this year. Most of the shortage was at the huge Conny Works. That was revealed yesterday at the annual meeting of American Tel. and Tel., which owns more than 99 percent of Western Electric Company's stock. Stockholder Lewis Gilbert, who had raged a running fight for years for changes in the policies of various companies, told the A. T. & T. meeting he had been apprised of the inventory troubles at Conny by an employee there. Gilbert asked Frederick R. Cappell, A. T. & T. president, for more details. Cappell acknowledged there had been an inventory discrepancy of about that amount, but declared it was an inter-department affair, involving paper work, and stressed it resulted in no actual loss either to Western Electric or to A. T. & T. 'Maybe it was bad bookkeeping or maybe bad leadership,' Cappell said, 'but it has been straightened out.'"

It was, and it took a lot of time and effort, and I am simply curious as to whether you see any dangers of a substantial situation like that coming in this Company.

MR. HALVORSON: I do not believe that any discrepancy of anything of that proportion could possibly occur within The Glidden Company. Considering the controls that we find it exercises over its inventories , considering the audit tests that we have made every year in physical observation at all major locations, and on a rotating basis at minor locations, we have no concern about any inventory discrepancy whatsoever.

MR. GILBERT: And the last question I really put to you, because it is a responsibility of the management, but I think that any time that whenever we acquire in the future any companies, I trust that you will always consult with our independent public accountants before you do this. You have all been reading about the H. L. Green situation, and that Board of Directors could have avoided all the trouble in the first place had they stopped, looked, and listened, because this was the certificate of Olden & Company, which they absorbed: "Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures that we considered necessary in the circumstances." Had they stopped there, there would have been nothing to discuss, but they say, "Except we were not present to observe procedures followed in determining quantities of inventories as of January 31, 1956, or at prior balance sheet dates, as to which we satisfied ourselves by means of other auditing tests and procedures."

Obviously, the check test is the intelligent one, and I trust, however, that before we take any other companies at any time we have assurance from you we will get a clean certificate.

CHAIRMAN JOYCE: You have that assurance, and I would like Mr. Maxey just to comment briefly to the extent we go in that connection.

MR. MAXEY: I can assure Mr. Gilbert that on any situation where we consider a take-over, and its size justifies, we have E. & E. work with us, and we will have our own people go through it with a complete physical inventory, with the possible subject, so I don't think we need to worry about values whatsoever on that score.

CHAIRMAN JOYCE: Any other comments about the motion?

It has been moved and seconded, and any stockholders who have not turned in their proxies may obtain ballots at the Inspectors' table at the front of the room, and the Inspectors will then canvass the vote.

We are fortunate in having two of our best-known shareholders present at the meeting today. Both of them happen to be small shareholders, but the number of shares they hold is irrelevent. What is important is that they take an active interest in the affairs of their company, and they have assumed the responsibilities they have as shareholders.

You have already heard from one of them, Mr. Lewis Gilbert, and knowing Mr. Gilbert as I do, I imagine we will hear more from him later on in the meeting. At this time, however, I would like to introduce our other distinguished shareholder, Master John Engstrom.

As you all know, John was featured in our 1959 Annual Report, which gave him an opportunity to see many of the things that are going on in our company. Because this was an experience most shareholders don't have, we have asked John to give you a brief account of his observations.

John, will you step up here and do that for us?

MR. JOHN ENGSTROM: Thank you very much, Mr. Joyce, fellow stockholders.

Last year I was looking forward to the 1958 stockholders' meeting, but I happened to have a very important Biology test on that day. In our school, a fellow just doesn't walk out on a Biology test. So I didn't get to the meeting. I had looked over the '57 and '58 reports, and as any stockholder would, I had wondered who all the people were and what they did, what new products the company was working on, and how the company stood financially.

Early this past summer, I was told that I would have an opportunity to hear the answers to my questions before the 1959 stockholders' meeting. I would have an opportunity to meet some of the Glidden people, and to visit plants and see manufacturing processes.

The first place we visited was in the Elmwood Paint Lab, on the outskirts of Cleveland. I was introduced to various men, each of whom gave me an explanation and tour of his special project. They were all very proud of their projects, and enjoyed showing them off as much as I enjoyed seeing them. One of the things I saw was a "blister box". The sides of this small box are actually paint test panels, which are subjected to extreme conditions of heat and moisture, to test for paint blistering.

Some of the other projects, dealing with the general wearing qualities of painted surfaces, were racks of painted panels, set up outdoors, where they are exposed to all sorts of weather conditions, where they are checked periodically for peeling and fading. Another means of testing was the use of strips painted on the floors of busy hallways.

I also got a sneak peek at some of the new paints that are being developed in the labs. They showed me, too, some of the experiments being done on our line of tall oil resins. Seeing all these experiments made me realize that the company is working very hard to keep the quality of its products up to the highest possible level. I don't see how any paint can pass the severe tests dreamed up by the Elmwood Lab.

I enjoyed seeing all of the activities in the paint lab, and one of the most impressive, at least to me, was the making of plastic trays out of a new Glidden polymer resin. A batch of the polymer is mixed, and then two layers of half-inch thick fiberglass filaments in sheet form are placed on top of one another. The polymer is daubed on and heat-pressed into the form of a tray. The press that they use in the lab is the same that would be used in a full-scale manufacturing plant. These trays are tested for strength and other wearing qualities to show how good the resin is. I was allowed to keep two of the trays that I helped make. They're strong, nice-looking, make wonderful flying saucers, and incidentally, they're good study aids. Here's how I use mine: After I get in bed, I arrange about three pillows behind my back for comfort, and then place the tray in front of me, to write on, or to rest a book on while I read.

I asked some of the research men at the Lab where their ideas came from. They told me that they surveyed the needs in certain fields where Glidden was well-equipped to solve the problems and manufacture the resulting new products. Then, too, they told me, there are ideas that can be traced to a certain kind of creative genius, but this, they said, only comes after long years of work in the field. Another research worker told me that to be successful, a research man has to have the wisdom of a prophet, the courage of an underfed wart-hog, and the oratory of a Cicero.

From the Elmwood Lab, we went to the Cleveland paint plant. I was fascinated there by the ingenious assembly line, where paint is poured in the cans, the lids are pressed on, the labels are glued on, the shipping boxes are glued together, the cans are put in the boxes, and the boxes are sealed, all done in one continuous automatic operation.

We spent the better part of a day at the Adrian Joyce Works, where titanium dioxide is made. After donning white protective coats and helmets, we followed the whole process, step-by-step -- attack tanks, treating furnaces, vats where the fluid is concentrated, and dryers of the finished white powder. The plant covers acres and acres of ground. Just to give you an idea of the size of the plant, our tour took the whole morning and half of the afternoon, and we still didn't get to see allof the by-product and re-covery processes.

The plant is like a huge chemistry set, with an enormous beaker of black liquid here, a hugh Bunsen burner there, and all on a gigantic scale. I don't begin to understand the chemical process in making titanium dioxide, but I did have a lot of interesting experiences while I was being shown the plant, such as riding on a man-lift, seeing the chemical reaction going on in some of the big tanks, and climbing way, way up on a tower, where the view was terrific.

I learned that titanium dioxide is important in the paper industry as well as in the paint industry. For example, a ton of ordinary paperboard contains about five pounds of titanium dioxide. And all of this is added to only the small portion of paper pulp that makes up the outside layer of the paperboard. It would, of course, be very wasteful to add the titanium dioxide to the entire paperboard, as no one prints on the inside anyhow.

Next morning we saw the Durkee plant at Bethlehem, Pennsylvania, where coconut and spices are processed. The main attraction was the RAMAC, an IBM electronic computer, which can record invoices and shipment data at a capacity of way up in the millions. It is hard to calculate the savings contributed by the RAMAC, but the savings are substantial, and there are other advantages, too, such as eliminating delays in getting out sales data and cost figures, and getting more accurate figures.

Next we toured the Durkee factory itself. Upstairs, I saw the huge bins where spices are stored until ready to process. Each bin has a chute leading to the apparatus that does whatever is to be done to the spice -- removing extraneous materials, cleaning, toasting, or grinding. The prepared spices are then fed into packaging machines. I also saw the mills and ovens where coconut is prepared.

This plant has a country kitchen atmosphere, with clean machinery, enthusiastic apron-clad women operators, and, throughout, the fresh smell of warm coconut. I hadn't realized before what extreme care must be taken to insure the most sanitary conditions possible for the preparation of spices. The spices were carefully washed and cleaned, and the handling was mostly done by shiny, bright machinery which is absolutely germ-free. This was the nicest smelling part of my trip.

A week later we went to the Thunderbird-Lincoln-Continental plant to see a new development in our water-reducible primer. As we walked down the assembly line to the dipping tank, we picked out the car we saw along the line that we'd most like to own. I chose a pink Thunderbird convertible, and I did ask, but they weren't giving out free samples that day. The dipping tank was about as big as a small swimming pool, and was filled with brown Glidden primer. The car bodies were immersed in this primer to a depth of about 8 to 10 inches. This coating gives rust protection to the dead ends and inside passages of the body.

In Cleveland, here, we visited the Stouffer experimental kitchen. There I saw the handsome stainless steel kitchen equipment, and watched some demonstrations using Fluid-Flex, our new liquid shortening. I don't know much about shortening, but from what I heard and saw in this kitchen, this stuff is easy to handle and mix. It certainly should be a fine addition to Glidden's products.

Next, we look at a display of products that contain menthol. I was surprised at the number and variety of these products -- cosmetics, toothpastes, shaving creams, cigarettes, drug items -- dozens and dozens of different preparations. This new Glidden synthetic menthol will have a wide and interesting field in products that we use every day.

Next I went to Mr. Joyce's office, and after the first few friendly words from him, he made me feel perfectly at ease. We had a pleasant chat, discussing his duties, and admiring the beautiful view of Lake Erie from his office window. It seems to me that the most important parts of Mr. Joyce's duties are coordinating the company activities, and making possible the development of people. Glidden's team has players that are full of pep and eager to put Glidden out in front -- and the captain of the team keeps everyone working toward the same goal.

The Glidden Company is so big, and includes so many different kinds of products, that no one can give even a simple listing of the products in a few minutes. From what I saw, each of these many products has enthusiastic people working to make it even better and more profitable. It makes me feel good to be even a very tiny part of the company.

I do want to thank the many Glidden people who guided me through the plants, explained the manufacturing processes, described new developments, and answered my questions. I am certain that my Glidden stock is a very sound investment, and I look forward to getting dividend checks for years to come. (Applause.)

CHAIRMAN JOYCE: Ladies and gentlemen, I would like to say that John prepared that talk all by himself. He didn't have any help from anybody, and I wish that you would have been in my office when he walked in to talk to me, and heard him say, "Just what do you do, Mr. Joyce?" (Laughter.)

John was worried about missing a Biology class last year, so I have written out a little excuse to your teacher, and you can tell her that I have even gone so far as to put in longhand at the bottom that you did a fine job.

MR. ENGSTROM: Thank you. (Applause.)

CHAIRMAN JOYCE: Now, ladies and gentlemen, we come to my report to the stockholders.

At last year's meeting, I summarized the various, steps that had been taken to streamline and improve the earning power of our company. This morning I would like to outline the results we have achieved to date.

A part of our program involved the elimination of low-profit investments. This has been essentially completed and previously reported to you. The most important part, however, continues. It involves the strengthening of our higher profit operations, and the investment of money and manpower into new areas which show opportunities for a satisfactory rate of profit. Management time that once was devoted to the problems of low-profit operations is now being spent in exploring and planning new ways to improve our profitability.

During the past ten years, our divisional people have done an excellent job in attempting to meet our profit objectives. Unfortunately, their progress has been obscured by the many changes that have taken place in recent years.

On pages 18 & 19 of our current annual report, we have set forth the ten-year operating results of the company on a basis which excludes the sales and profits of the former Chemurgy Division. Since 1950, sales volume of our current divisions has increased 26%, and income before taxes has increased 33%. Net income shows only an 8% increase as we have been unable to offset higher corporate income tax rates placed into effect during this period.

A review of the individual segments reveals that the Paint Division has produced an 82% sales increase and a 70% improvement in operating profits. These gains have been the result of new products, broader distribution and better manufacturing efforts.

In 1950, sales of the Food Division were $84 million compared to $78 million last year. This decline reflects lower raw material costs and the elimination of low-profit products. While operating profits have shown only a small improvement over 1950, the now active parts of this division have consistently shown a good profit return on investment. The Durkee operations have been completely reorganized in the last several years, and the prospects for higher profits are considerably brighter than they have been in the past.

Our greatest immediate potential for increased earnings lies in the Chemicals-Pigments-Metals Division. Over the ten-year period, sales have increased 20% and operating profits, 67%. During this time, we disposed of the West Coast lithopone, the white lead and the type-metal businesses. When the sales and profit contributions of these operations are eliminated from 1950 results, the degree of improvement in our present activities is very satisfactory. With the new investments made and being made in this division, we expect an even greater rate of growth.

The Organic Chemical Division has undergone a complete change in the last ten years. The shift from the naval stores business to terpene chemicals, tall oil products and synthetic resins has now been virtually completed. Since 1950, sales have gained 46%, and operating profit is up 14%. As you know, last year's results were burdened by heavy start-up and development costs in this small division, which account for the unsatisfactory profit increase. Future rates of increase should be much better. Because of the division's present size, however, the total dollar amounts involved will be modest when compared to our other operations.

Since 1954, over $31,000,000 has been invested in new plants and equipment for the chemical divisions, and in this five-year period sales have increased 53 percent and operating profits were up 64 percent. We have yet to receive all the benefits from our past capital expenditures, and further sums are being invested in these operations. On the basis of our recent experience, and projection for the future, we expect an even higher rate of growth over the next five years.

I am very proud of the job our divisional operating people have done and are doing. If they could do that well during a period when the company had limited cash resources and management time was being spent on the problems of low-profit operations, I am confident they now have greater opportunities with full-time management support and a strong financial structure behind them.

I would now like to turn to a completely different subject -- politics. The interest created by my letter which accompanied the October dividend prompts me to make a few further remarks on this topic.

I have long had an interest in politics -- not as an elected or appointed officeholder, but as a contributor to and an active participant in my own political party. Experience has shown that many people believe that partisan politics is beneath them; that it is dirty business; that people who engage in politics are only looking out for themselves. Perhaps this latter assumption is true, if our objective in looking out for ourselves is to obtain good government.

Many of these same people regard themselves as independent voters. They will vote for the candidate, regardless of party, who seems best qualified for the position. This is all well and good, but they overlook the fact

(See next page.)

that their choice has been narrowed by the operations of partisan politics. The candidates they choose between have been selected in individual party primaries, which in turn are greatly influenced by the inner party councils. So it would appear to me that good government begins with good party leadership.

Obviously, every citizen cannot be active in the management of his political party. Those who have the ability should do so. There are plenty of jobs for others -- soliciting contributions, passing out campaign literature, working at polling places and many others. Having performed jobs of this nature puts you in a position to express your opinion to local party leaders and to influence party policy. Certainly this is more effective than simply casting your ballot for candidates and platforms other people have selected.

In my October letter, you were asked to take a greater interest in government affairs to help obtain a more favorable climate for the growth of our free economy. We are similarly asking our employees to become more informed and vocal.

This coming year, we intend to encourage our employees to contribute money to their political party. We believe that a broader base of financial support will lessen the danger of special interest groups having a disproportionate voice in party affairs. Also, having made an investment in their party, our employees are apt to take a more active interest in its policies and candidates.

Prior to the recent November election, we distributed nonpartisan literature on candidates and issues where available in local plant communities. During the next year, we will invite candidates from both parties to visit our plants and discuss their views with our people. We will also provide our people with other nonpartisan materials to help them keep abreast of the actions of their government representatives.

Many of our employees are already active in their local governments. One of our officers is a member of the school board in his community; another recently helped manage the campaign of a mayoralty candidate in one of our major suburbs; still another was active in promoting a new form of government here in Cuyahoga County. Other of our employees are similarly engaged, and more are being encouraged to become so. In such activities, they are acting as citizens of their community and not as employees or representatives of The Glidden Company.

We consider it most important that all our efforts be kept on a bipartisan basis. I join with others who state that the Republican Party cannot afford to become the party of business anymore than the Democratic Party can afford to become the party of labor. We need two strong parties, both of which are dependent upon and representative of broad masses of the voting public and not special interest groups.

Our American economy faces increasing competition from capable sources in other parts of the world. An industry crippled by restrictions and limited in financial ability cannot effectively meet that competition.

We are engaged in a long-term battle for survival. If our company and other companies are to succeed, each of us must see that our governments provide the proper atmosphere for success.

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.

The Inspectors of Election will now report.

MR. DUTTON: Mr. Chairman, the Inspectors of Election wish to report that of the 2,309,180 shares of common stock of the Company entitled to vote at this meeting, 1,853,302 shares are present either in person or by proxy.

Each Director nominee received the affirmative vote of 1,853,302 shares.

On the resolution to approve the designation of Ernst & Ernst as auditors for the company, 1,836,781 shares voted in favor, and 14,462 shares voted against the resolution.

1,751,148 shares were voted in favor of the resolution authorizing the 1959 Stock Option Incentive Plan and releasing 100,000 shares of stock from pre-emptive rights. 95,797 shares were voted against the resolution.

The Inspectors' final certificate will be attached to the minutes of the meeting.

MR. GILBERT: Point of information, Mr. Chairman.

CHAIRMAN JOYCE: Mr. Gilbert?

MR. GILBERT: Have the Inspectors the approximate number of proxies they received for and against the option's proposal in terms of proxies?

CHAIRMAN JOYCE: Mr. Dutton?

MR. DUTTON: I believe that the number I read would be the proxy ~~statement~~ total shares. No~~w~~, I haven't broken it down into howmany proxies there are.

MR. GILBERT: May I ask that in future years you keep an approximate running account as we go along whenever we have controversial issues like that?

MR. DUTTON: We can do that.

CHAIRMAN JOYCE: I would like to announce, at the finish of Mr. Dutton's report, the election of Directors, the adoption of the resolutions authorizing the 1959 Stock Option Incentive Plan and releasing 100,000 shares of stock from the pre-emptive rights, and resolution approving Ernst & Ernst as auditors of the Company.

The meeting is now open to questions from stockholders. I will ask that stockholders present their questions from the floor before the microphones, and state their names, and so forth.

MR. GILBERT: On behalf of the stockholders that I am representing, I have a few questions, Mr. President.

Again, it is a pleasure to ask them of you, and I certainly agree with everything you have said in the speech you just made.

I notice that we apparently have lost 2000 shareholders, or almost that, since last year. I wonder if you have any ideas as to what has happened, why the number has gone down?

CHAIRMAN JOYCE: I would like to have Mr. Maxey, vice president of Finance, answer that question.

MR. MAXEY: First, we do not conduct a follow-up, of course, when anyone sells their stock. I think that is the individual's own right, to reach his own conclusions. In studying the shareholders' list, the loss has been in the smaller shareholders. There has been a concentration into some of the funds which did not exist before, and in major trust accounts of banks. It would be an opinion that some of the smaller holders who had come into the Glidden situation back in '48-'49 at a fairly high level, elected to remove themselves when our stock again reached the levels which were experienced at that particular time.

As I say, that is only an opinion based on an observation of the records, but I believe that will be the case.

MR. GILBERT: Thank you. And on Page 4 of the Annual Report we are told in June we acquired a 38-acre parcel of property located south of Cleveland, on which we plan ultimately to build a central research laboratory. Did this involve very much money?

CHAIRMAN JOYCE: The acquisition of the

land, I believe, involved $90,000; am I correct in that, Mr. Maxey?

MR. MAXEY: In total it was something over $100,000.

MR. GILBERT: And will you comment a little further on research, your normal budget, or anything like that, or anything more that you would care to say on it?

CHAIRMAN JOYCE: Yes, I would be glad to comment on that. We are very research conscious in our Company, Mr. Gilbert. As you know, we now have four major divisions -- really three, and the two Chemical Divisions are pretty much classed as one -- and we handle research in two ways. We handle it at the divisional level, and as corporate research. There, of course, it is awfully hard to differentiate between product development and research in a company like ours, where one stops and where one starts. That is why we do have what you might call pure research often at the divisional level.

In addition to that we do have a broad research program for the Company as a whole -- you might call it overall research -- which would include projects that would require a type of personnel and equipment that we can't maintain at these branches.

This plot of land you talk about, it is our intention for the next year to build a central research facility. We had one in Chicago in the Chemurgy Division, and we couldn't very well pick that out of the pot when we sold that to Central Soya, but we are very research conscious and we are now in the process of considering our research budgets for the coming year.

MR. GILBERT: Since we are talking of budgets, the earnings, as you have noted in the Annual Report, have increased, and they are substantially in excess of the dividends. Will you comment on the dividend policy as you see it?

CHAIRMAN JOYCE: Yes. Frankly, I think that our dividend policy up to now has been very conservative and in the best interests of the stockholders. I think that our pay-out of $2.00 against our earnings is all that we should pay out considering the development program we have in the Company for the future, and as of now I don't think any member of the Board would think about increasing dividends.

I don't mean by that, Mr. Gilbert, to say that $2.00 is frozen forever, but I am talking about this coming year.

MR. GILBERT: I think that is a very important point, because otherwise we will never get some more stockholders if they think it is a frozen investment.

A year or two, that doesn't matter, but I think we should, if earnings keep rising, remember that, even if occasionally they stop a dividend or something, in addition, so that those who keep our stock will have really extra dividends that way. That might also be an answer to the whole problem.

There is another point that I would like to ask you. On Page 4 you have mentioned in the paragraph after the one I read that you are starting a branch expansion program in Canada, and you have acquired several distributing organizations in the Provinces of British Columbia or Ontario. Can you give us some information as to how this was acquired, whether a public company, private company, stock, money, or how did we do it?

CHAIRMAN JOYCE: I would like to have Mr. Duncan, who is vice president of the Paint Division, comment on that.

MR. DUNCAN: I believe the point of your question was were these public companies?

MR. GILBERT: That was oneof the questions.

MR. DUNCAN: A little background in a few words. These were two companies who actually had grown with us, and they were owned by former employees of ours. It is very difficult at times to keep a good man within your employ if he has dreams of being an entrepeneur and going out and owning his own business. They are usually very good men. We like to get them back. Not only did we obtain a very healthy business, these men who owned these businesses have made quite a respectable competence for themselves as a result of it, they developed the business with our aid and with our line. Now we have acquired the business and the manpower, too, which I think is a fine stroke.

MR. GILBERT: Did this involve very much money or did it involve stock, or what did it involve?

MR. DUNCAN: No, it involved, as a matter of fact -- the employment was part of the blue sky. Do I make myself clear? So there was no good will to speak of, and we just bought the net worth of the stocks and the equipment, and so forth. We assumed the leases.

MR. GILBERT: Are these companies to be operated as 100 percent owned subsidiaries?

MR. DUNCAN: Absolutely.

MR. GILBERT: And on Page 11 we are told that greater emphasis was placed on advertising consumer paint and food products, resulting in $1,100,000 increase in advertising expenses. About how much was our budget last year?

CHAIRMAN JOYCE: Have you got those figures, Max?

MR. MAXEY: Yes. Our total advertising last year was about $4,000,000. Wait a minute. That was the previous year. This last year, it was upped $1,100,000, so it is about $5,400,000. That was total company advertising.

CHAIRMAN JOYCE: Any other questions?

If there are no other questions, ladies and gentlemen, I want to again express my appreciation to all of you for coming out here today, and I am very pleased with the turnout.

I want you to know that we look forward to a continuing friendly association with you stockholders as the years go by. I am looking forward to seeing all of you back next year, and hope we have some additional stockholders present.

The Chair will now entertain a motion for adjournment.

MR. R. F. GROVES: I so move, Mr. Chairman.

MR. D. E. ERSKINE: Second the motion.

CHAIRMAN JOYCE: All those in favor say, "Aye." Contrary. Meeting is adjourned.
