65 Annual Mtg file

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NOTES FOR ANNUAL MEETING

December 9, 1965

NOTE: 1965 International Data Recast to Appropriate Groups

N17258

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NOTES FOR ANNUAL MEETING
December 9, 1965

I. Balance Sheet Review

B. Short-Term Securities (Cont'd)

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

During the year, our average short-term portfolio was $8,052,244.00, which was an increase of $47,521.00 over fiscal 1964. The average after-tax interest yield was 2.25% (4.33% equivalent before tax) as compared to 1.93% and 3.87% for fiscal 1964. Our liquid position enabled us to be invested all of the 365 days of fiscal 1965.

Although not indicated as short-term securities on the Balance Sheet, the following were interest-bearing and classified as cash.

Certificates of Deposit	$ 4,000,000.00
Cash in Foreign Banks	1,286,894.59
Total	$ 5,286,894.59

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

	8/31/65	8/31/64	8/31/63	8/31/62
Accounts Receivable	$33,945	$27,893	$24,835	$23,884
Notes Receivable	575	507	406	685
Total	$34,520	$28,400	$25,241	$24,569
Reserve for Bad Debts and Allowances	704	614	510	502
Net per Annual Report	$33,816	$27,786	$24,731	$24,066
% Bad Debt Reserve to Receivables	2.0%	2.2%	2.1%	2.1%
Past Due Receivables:				
Dollar Amounts	$ 3,377	$ 3,059	$ 2,465	$ 2,492
% of Gross Receivables	9.8%	10.8%	9.8%	10.1%
Receivables Charged Off	$ 499	$ 377	$ 527	$ 367
Recoveries Against Receivables Charged Off	129	127	160	124
Net Bad Debt Loss	$ 320	$ 250	$ 366	$ 243

Bad Debt Loss as % of Sales:

1965	.11%
1964	.10%
1963	.16%
1962	.10%
1961	.15%
1960	.08%
1959	.06%
1958	.06%

I. Balance Sheet Review

C. Accounts and Notes Receivable - Trade (Cont'd)

Accounts Receivable turnover for the entire Company was 41 days. This compares to 40 days in 1964 and 38 days in 1963. Domestic turnover was 39 days compared to 36 days in 1964.

Net bad debt losses of $320,000 on trade receivables represent an increase of $70,000 from the prior year on a sales increase of $46,300,000. Although losses increased in dollar amount, the net percentage to sales remained consistent with previous years, and in our opinion, represented good performance for fiscal 1965. Despite a distribution pattern in the C & R Group which adversely influenced turnover and bad debt losses, we were able to improve accounts receivable turnover and maintain chargeoffs well within proper boundaries. Leased Department operations contribute to a favorable turnover in the C & R Group. Continued expanding activities with paint contractors are reflected in this market segment representing 46% of C & R losses in fiscal 1965 compared to 34% the previous year. However, Trade Sales improved dealer volume despite heavy attrition of dealers and at the same time reduced their share of C & R losses from 34% in fiscal 1964 to 28% in fiscal 1965.

The factors causing heavy sales activity in the Durkee Foods Group were responsible for the increase of receivables from 19 to 23%. A slightly slower turnover was due to a market program transferring consigned stock inventory to jobber agreements placing the investment in accounts receivable.

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

	1965*	1964	1963	1962
Coatings & Resins	59%	57%	59%	60%
Durkee Foods	23	19	19	19
Chemicals	18	15	16	17
International	-	9	6	4
Private Ledger	-	-	Nominal	Nominal
	100%	100%	100%	100%

* Receivables from international operations were 10% and adjusted to the appropriate operating groups as follows: C & R 6%, Durkee Foods 1%, and Chemicals 3%.

D. Inventories

Published total inventory decreased $135,000 from fiscal 1964. Changes by Group were as follows in thousands:

GLD004000

I. Balance Sheet Review

D. Inventories (Cont'd)

	August 1965	August 1964	Increase (Decrease)
Coatings & Resins	$22,476	$19,387	$ 3,089
Durkee Foods	19,705	20,373	(668)
Chemicals	13,281	13,370	(89)
Development	-	42	(42)
International *	-	2,533	(2,533)
	55,462	55,705	(243)
LIFO Reserve	(216)	(185)	(31)
Canadian Dollar Adjustment	(188)	(170)	(18)
Dailey Pickle Inventory Adjustment	157	-	157
	$55,215	$55,350	$ (135)

* International Group inventory of $2,592 at August 31, 1965, was recast as follows: C & R $1,843, Durkee Foods $10 and Chemicals $739.

The principal factors contributing to these increases(decreases) by Group were:

Coatings & Resins - The total increase of $1,246,000 (before adjustment of $1,843,000 for international operations) consisted of increases of $992,000 in raw materials and $254,000 in finished stock.

In general, inventory levels increased to meet the requirements of increased sales activity. Although inventory dollar levels increased over the prior year, the days supply on hand at year-end decreased from last year. Specifically, raw material inventory balances were increase slightly in order to adequately provide for some raw materials that were in short supply in addition to accommodating increased sales levels. The availability of these raw materials has improved and the inventories are being allowed to decline to a more suitable operating level. The finished stock inventory increase is at a higher level to accommodate the increased sales and also to provide adequate and expanded product lines at additional leased department retail outlets.

Durkee Foods - Inventories in the Durkee Foods Group have decreased $678,000 (before adjustment of $10,000 for international operations) from last year. The total decrease consisted of $2,304,000 decrease in raw material and $1,626,000 increase in finished stock. Durkee Trading Inventory was down $1,892,000 in raw materials. The acquisition of Dailey Pickle accounted for $1,108,000 of the total increase in Finished Stock. Other increases were due to addition to Grocery Product lines.

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I. Balance Sheet Review

D. Inventories (Cont'd)

Chemicals - The Chemicals Group Inventory was $828,000 lower than a year ago. (Before adjustment of $739,000 for international operations). Finished Stock inventory decreased $846,000 while raw material inventory increased $18,000. The finished stock inventory decrease resulted from increased sales and effective control over the inventory investment by management.

International - The increase over last year was nominal. The total inventory is reflected in the appropriate operating group.

LIFO Reserve - LIFO inventories reduced $4,440,000 from the 1964 level of $5,070,950. This resulted in a decrease in the LIFO Reserve applicable to edible oils of $64,214, but the $95,183 increase in the LIFO Reserve applicable to Chemicals Group inventories caused the total LIFO Reserve to increase $30,969 with a corresponding decrease in consolidated net profit. The increase in the Chemicals Group portion of the LIFO Reserve was attributable to Hammond Copper inventories.

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

1965	-	5.51 to 1
1964	-	4.66 to 1
1963	-	4.59 to 1
1962	-	4.89 to 1
1961	-	4.97 to 1

Control over the inventory investment is achieved through the joint efforts of management and operating personnel.

The Coatings and Resins Group semi-annually establishes monthly monetary inventory goal levels by Regions. These goals are reviewed monthly by a Headquarters' Inventory Committee and necessary action is promptly initiated to correct any out-of-line occurrences. The goals for both raw materials and finished stock are established only after careful study and consultation with Regional management, and it is the responsibility of Regional management to allocate by operating unit and by product within its goal. Each month, inventory performance is compared to goal with explanations of variances determined and any necessary corrective action taken.

Inventory control in the Durkee Foods Group is established through the joint efforts of Headquarters and Division Management. An important aspect is the daily control exercised over raw materials based upon the market quotations of edible oils and condiment raw materials. The Durkee Trading Office projects market conditions as they relate to raw material requirements and communicate with Headquarters and Division management. Market conditions of spices and other materials are reviewed on a daily basis and material requirements are projected into the future.

Control of inventories in the Chemicals Group is maintained by the respective Division Managers who determine their inventory needs on the basis of individual market sources and operating requirements.

I. Balance Sheet Review

D. Inventories (Cont'd.)

The individual managers of the various International operations overseas, subject to the review and coordination of the appropriate domestic group management, determine necessary inventory levels through anticipation of planned sales levels with recognition of the problems caused by their overseas supply situations.

E. Other Current Accounts and Investments

Detail at August 31 was:

	1965	1964
Margin Advances (Durkee Foods)	$ 111,614	$ 273,225
Material Deposits (Chemicals)	47,861	-
Glidden-Salchi	-	18,934
Claims Against Common Carriers	134,779	112,914
Employees' Accounts	13,226	11,700
Salesmen's Advances	99,468	88,215
Installment Sales	57,721	24,592
Wood & Selick Coconut Co. (Beth.)	35,002	76,665
Alcohol refund on Extract Business	44,683	80,900
Pincesa-Guatemala & Costa Rica	18,230	22,784
Misc. Notes and Accounts	644,598	428,429
Industrial Acceptance Corp. (Canada)	50,000	-
Tank Car Rental (Berkeley)	$ 38,208	-
Southwest Forest Industries (Organic)	34,164	-
	$1,329,554	$1,138,358

F. Prepaid Insurance and Other Expenses

Detail at August 31 was:

	1965	1964
Prepaid Insurance	$ 447,131	$ 597,129
Prepaid Taxes	265,381	196,443
Prepaid Royalties	-	7,500
Prepaid Rent	42,417	-
Prepaid Advertising	54,150	-
Other Prepaids	54,010	47,658
	$ 863,089	$ 848,730

G. Property

For schedule of major capital expenditures and 1966 forecast, see page 32.

For Depreciation, see page 15.

Insurable value of all buildings, machinery and equipment is $122,900,000.

Lease obligations for buildings occupied by company units are covered on page 9.

I. Balance Sheet Review

H. Other Assets and Deferred Charges

Detail at August 31 was:

	1965	1964
Prepaid Bond Discount & Expense	$ 559,783	$ 590,599
Investments -		
Chicago Borad of Trade	34,701	34,701
International Subsidiaries (Detail on Page 44 for 1965)	2,804,253	3,202,180
Miscellaneous	12	9
Deferred Research & Engineering Cost	720,665	736,942
Employee Loans	58,703	51,694
Patents and Patent Rights	511,646	281,016
Misc. Notes & Accts. Receivable	127,258	182,887
	$4,817,021	$5,080,028

I. Short and Long-Term Financing

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

During fiscal 1965 and fiscal 1964, Glidden did not have any short-term borrowings.

At August 31, 1965, we maintained a line of credit of $12,000,000 for Glidden (Plus $1,000,000 for International). These were carried at major banks across the country as follows:

Bank	City and State	Amount
The Citizens & Southern National Bank	Atlanta, Georgia	$ 500,000
Union Trust Company of Maryland	Baltimore, Maryland	500,000
Continental Illinois National Bank & Trust Company of Chicago	Chicago, Illinois	1,000,000
The First National Bank of Chicago	Chicago, Illinois	1,000,000
The Cleveland Trust Company	Cleveland, Ohio	500,000
The National City Bank of Cleveland	Cleveland, Ohio	1,000,000
Society National Bank of Cleveland	Cleveland, Ohio	500,000
Republic National Bank of Dallas	Dallas, Texas	500,000
Bank of America, N.T. & S.A.	Los Angeles, California	500,000
The Louisville Trust Company	Louisville, Kentucky	500,000
The Chase Manhatten Bank	New York, New York	1,500,000
Chemical Bank New York Trust Company	New York, New York	1,000,000
First National City Bank of New York	New York, New York	1,500,000
The Boatmen's National Bank of St. Louis	St. Louis, Missouri	500,000
Mercantile Trust Company	St. Louis, Missouri	500,000
United California Bank	San Francisco, Calif.	500,000
Union Commerce Bank	Cleveland, Ohio	1,000,000 *

* International

Our present credit lines of $12,000,000 (plus $1,000,000 for International) will be renewed in fiscal 1966 at $12,000,000 (plus $1,000,000 for International). It is anticipated that we may have some short-term borrowings during fiscal 1966.

I. Balance Sheet Review

7. Short and Long Term Financing (Cont'd)

2. Debenture Issue - The indebtedness of The Glidden Company (excluding normal accounts payable, interest and taxes) is represented by the $30,000,000 of 4-3/4% sinking fund debentures dated November 1, 1958, and due on November 1, 1983 and loans to subsidiaries from banks of $1,200,000.

At August 31, 1965 the total outstanding amount of 4-3/4% debentures was $26,784,000.

A sinking fund amount of $1,500,000 was provided on November 1, 1964, reducing the outstanding balance to $28,500,000.

During the month of July, 1965, $1,500,000 bonds were purchased to meet the sinking fund requirements of November 1, 1965, and an additional $216,000 bonds were purchased and retired to apply against the sinking fund requirements of November 1, 1966.

The following is a summary of our current position:

Original Outstanding Amount		$30,000,000
Sinking Fund - November 1, 1964	$1,500,000	
- November 1, 1965	1,500,000	
- November 1, 1966	216,000	3,216,000
Balance Outstanding - August 31, 1965		$26,784,000

The debentures were offered publicly on October 28, 1958, at 99 and the effective interest cost is 4.98% based on the net proceeds after all expenses.

Interest on Debentures - Fiscal 1965	$ 1,356,000
Amortization of Discount & Expense	30,816
	$ 1,386,816

Since January 1, 1965, market price of debentures has varied from a high of 102½ to a low of 100. The last debenture trading prior to August 31, 1965 was on August 24th at 100½ and the last traded prior to December 9, 1965 was on ____________ at ________.

J. Contingent Liability

All matters pertaining to our federal income tax liability for years through 1959 are now closed. The company was successful in its litigation on a claim for refund for 1959 pertaining to the Chemurgy transaction with Central Soya Company. During 1965, the audit of federal income tax returns for 1960-1963 was completed. With the exception of the Chemurgy transaction, settlement was reached on all domestic and international matters. The assessment for such years which was paid in 1965 was fully provided for in the years involved. Claim for refund for 1960 and 1961 have been filed with respect to the Chemurgy transaction.

I. Balance Sheet Review

J. Contingent Liability (Cont'd)

The use of the new "Guide Line" lives of fixed assets in computing our tax depreciation resulted in an excess of $1,815,739 over book depreciation. Provision for the tax on this difference amounting to $883,693 was made in 1965.

No problem in government contracts through renegotiation or otherwise.

The detail of major real estate lease commitments at August 1965 is (CONFIDENTIAL - DO NOT RELEASE):

	Total Contract	Fiscal 1966
Paint Branches	$ 5,387,276	$ 1,563,256
Bethlehem Plant	804,375	67,500
Cleveland Executive Offices	3,634,900	234,304
Miscellaneous Facilities	857,308	247,319
	$10,683,589	$ 2,112,379

At 8/31/65 a reserve of $373,039 was available for contingent liability for claims and fees.

K. Stock and Stockholders

	Post-Split 8/31/65	Pre-Split 8/31/65
1. Common Stock O/S	6,234,716	2,493,886
Less: Treasury Shares	104,550	41,820
	6,130,166	2,452,066
	8/31/65	8/31/64
Preferred Stock - Cum. $2.125 per Share	212,982	254,083

On July 15, 1965 the stockholders approved a 2½ for 1 split of the common stock. The split adjusted the par value of the common from $10.00 to $4.00 per share.

The company's common stock is listed on the New York Stock Exchange and has unlisted trading priviledges on the Midwest, Pacific Coast and Philadelphia - Baltimore Stock Exchange. The preferred stock is not listed.

From January 1, 1965 through October 25, 1965 the price of the company's common stock ranged between a high of $25.05 (Pre-split $62-5/8) and a low of $19.60 (Pre-split $49) (See Annual Report, pages 14 - 15 for prior years). During this same period the average number of shares traded on the New York Stock Exchange was 1,162 for the period January 1 through July 31 (approximate pre-split period) and 1,763 for the period August 1 through October 25 (approximate post-split period).

The closing price of Glidden Common Stock on December 8, 1965 was _______.

I. Balance Sheet Review

K. Stock and Stockholders (Cont'd)

2. Other comments on stock

a. During fiscal 1965, we conducted a program of purchasing stock for Treasury. Through August 31, 1965 we purchased 104,550 shares. Since August 31, 1965 and through October 25, 1965 we have purchased an additional 36,200 shares.

The average purchase price prior to August 31, 1965 was $23.32 (Pre-split $58.30) per share. The average purchase price to October 25, 1965 is $23.21 (Pre-split $58.02).

b. The $2.125 cumulative preferred stock was issued incident to the agreement of merger of Pemco Corporation into The Glidden Company and subsequent merger of the Macco Chemical Company and Subsidiaries into The Glidden Company.

(1) Holders of the shares are entitled to dividends of $2.125 per annum payable quarterly on the first days of February, May, August and November.

(2) Holders have no voting rights except under certain conditions (See Paragraph 8, Page 7. Special Meeting Proxy Statement dated January 20, 1964.)

(3) The stock is not redeemable prior to August 31, 1966, and is thereafter redeemable at the following prices:

$55.00 per share prior to 9/1/71
$53.00 per share prior to 9/1/76
$52.00 per share prior to 9/1/81
$51.00 per share after 9/1/81

(4) Holders of the shares are entitled to $50.00 per share plus unpaid cumulative dividend in case of an involuntary liquidation and to redemption price current at the time of the distribution or payment date in case of voluntary liquidation.

(5) The Company is obligated to set aside on or before November 15 of each year out of the earnings of the previous fiscal year a sum equal to the larger of $1.00 for each share outstanding or $200,000, to be used to purchase the $2.125 preferred stock if and to the extent obtainable at a price not exceeding $50.00 per share. Any monies remaining at December 31 are released and repaid to the general funds of the Company. During the period of November 15 to December 31, 1964, no preferred shares were tendered.

I. Balance Sheet Review

K. Stock and Stockholders (Cont'd)

2. (6) Prior to the split of the common stock, each share of preferred stock was convertible into 1.125 shares of common. Since the stock split the ratio is 2.8125 shares of common for each preferred share.

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

c. Stock dividends are always under consideration, but we have no plans for such. It is felt that stock dividends only spread earnings and value over a larger number of shares with price adjusting accordingly.

3. Holdings of shares as follows:

	August 31, 1965			(Adjusted for Split) August 31, 1964		
	No. of Share-holders	% Shares Held	Ave. Shr. Held	No. of Share-holders	% Shares Held	Ave. Shs. Held
Individuals	19,721	61.17%	190	19,498	59.86%	180
Institutions	371	5.04	833	380	4.79	740
Brokers	187	9.77	3,202	162	10.00	3,632
Nominees	419	24.02	3,514	377	25.35	3,948
Total	20,698	100.00%	296	20,417	100.00%	288

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II. Operating Statement

A. Gross Profit

	Published 1965	Published 1964
Percent to Net Sales	28.20%	29.84%
Dollars	$85,722,462	$76,876,193

Increase 1965 over 1964	
Due to Net Sales Increase	$13,834,776
Due to Gross Margin Decrease	(4,988,507)
Net 1965 Increase	$ 8,846,269

B. Selling and Administrative Expense

The Annual Report shows a Selling and Administrative Expense increase of $6,070,000, a 10.3% increase over last year. Net sales increased 18.0% over the same period.

The major increases (decrease) by caption in 1965 are as follows:

Sales Compensation	$1,007,000
Salesmen's Expense & Other Terr. Charges	404,000
Sales Administrative Salaries	294,000
Travel	135,000
Storage	(66,000)
Advertising (local and national)	815,000
Bad Debt Provision	43,000
Product Development, Technical Service	72,000
Research	376,000
Office Salaries	1,261,000
Communications	139,000
Occupancy	315,000
Moving	73,000
Retirement, Bonus	(121,000)
Development Costs	351,000
Data Processing	176,000
Taxes (State & Local)	131,000
Conferences	66,000
Sales Market Research	35,000
PFE Expense	64,000
Office Supplies	234,000
All Other	266,000
Total	$6,070,000

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

	Increase over Prior Year 1965*
Coatings and Resins	$3,062,000
Durkee Foods	2,089,000
Chemicals	1,295,000
International	-
Headquarters	44,000
Development	(420,000)
Total	$6,070,000

GLD004009

II. Operating Statement

(footnote from previous page)

*Increases due to recasting of international operations to domestic groups were: C & R $721,000, Durkee Foods $10,000, Chemicals $349,000 and Headquarters $101,000.

Increases in Selling and Administrative Expenses other than due to recast of international operations were as follows:

C & R -- Increases in C & R Group Selling & Administrative Expenses were Sales Compensation $418,000, Sales Administrative Salaries $119,000, Product Development $218,000, Development Costs, $264,000, Office Salaries $278,000, Office Supplies $141,000, Communications, $31,000, Data Processing $94,000, Occupancy, $230,000, Division Group Administration $231,000. C & R Group Net Sales before international recasting increased 8.6% over fiscal 1964 while the Selling and Administrative expenses increased 7.1%. After adjustment of international operations into the C & R Group for fiscal 1964 and 1965 C & R shows an increase in Net Sales of 12% over fiscal 1964 and in Selling & Administrative expenses of 9.3%.

Durkee Foods -- The Dailey Pickle acquisition in the Durkee Foods Group accounted for $607,000 of Selling & Administrative expenses consisting mainly of Advertising, $193,000, Sales Compensation $173,000, Sales Administration Salaries $55,000 and Office Salaries, $46,000. Gretchen Grant Selling and Administrative Expenses for the twelve months ending 8/31/65 were $284,000. This operation was only included for the months of July and August of fiscal 1964 and the Selling & Administrative expenses for those two months amounted to $47,000.

Other significant increases excluding Dailey Pickle and Gretchen Grant were Sales Compensation $79,000, Advertising $523,000, Division Group Administration $512,000. Excluding Dailey Pickle and Gretchen Grant, Durkee Foods Group Net Sales were up 21% while their Selling and Administrative expenses were up 7.1%.

Chemicals-- Increases in Chemicals Group Selling and Administrative expenses were: Sales Compensation $174,000, Salesmen's expense $20,000, Sales Administrative Salaries $32,000, Bad Debt Provision $58,000, Research $200,000, Development Costs $399,000. Chemical Group Net Sales increased 10.9% over fiscal 1964, while the Selling and Administrative expenses increased 11.6%. After adjustment of international operations into the appropriate operating group for fiscal 1964 and 1965 Chemicals shows an increase in Net Sales of 13% and Selling and Administrative expenses of 15.4%.

International -- The inclusion of Trans-Caribe Supply, Inc., Reliable Water Heater Co. and P. R. Ohra, Inc. in International operations in fiscal 1965 accounted for $524,000 of Selling & Administrative expenses. Pemco-Bruges operated only part of fiscal 1964 and contributed $145,000 in that year. Bruges' Selling and Administrative expenses for fiscal 1965 were $456,000. Other significant increases excluding acquisitions and Pemco-Bruges were: Sales Compensation up $28,000, Office Salaries up $160,000, and Office Supplies $29,000. Total Selling and Administrative expenses for all international operations are reflected in the appropriate operating group for 1964 and 1965.

II. Operating Statement

Headquarters -- Total Headquarters Administrative expenses were $10,698,000 in fiscal 1965 compared to $9,730,000 in fiscal 1964 and $8,860,000 in fiscal 1963. Pension costs and Professional Services are detailed as follows:

	1965	1964	1963	1962
Pension Costs	$ 782,000	$1,049,000	$ 999,000	$ 246,000
Professional Services	551,000	521,000	521,000	443,000
Other Administrative Expenses	9,365,000	8,160,000	7,340,000	6,651,000
Total	$10,698,000	$9,730,000	$8,860,000	$7,340,000

Increases in Other Administrative expenses were $1,205,000 over 1964 and $2,025,000 over 1963. Other Administrative Expense by Group is summarized as follows:

	1965	1964	1963	1962
C&R Group Administration	$1,930,000	$1,683,000	$1,535,000	$1,953,000
Foods Group Administration	1,253,000	796,000	660,000	466,000
Chemicals Group Admin.	518,000	425,000	347,000	269,000
International Group Admin.	378,000	331,000	296,000	158,000
Corporate Administration	5,286,000	4,925,000	4,502,000	3,805,000
Total	$9,365,000	$8,160,000	$7,340,000	$6,651,000

Major increases were Office Salaries $660,000, Travel $82,000, Bonus $106,000, Occupancy $46,000, Office Supplies $45,000 accounting for the major increases, and other semi-variable expenses up $124,000.

C. Other Income -- Published P & L

The major items this year and last were:

	1965	1964
Interest Earned	$414,720	$423,565
Gain (Loss) -- Disposal of Capital Assets:		
Sale of Buena Park Land	-	568,768
Provision for Frozen Foods Abandonment	-	(550,393)
Miscellaneous	(61,229)	11,808
Other:		
Board of Trade (Chicago) Gross Profit*	-	234,314
Investment write-down	(500,000)	-
Scrap and Residue Sales	228,330	194,916
Provision for Collinsville Abandonment	-	(160,499)
Good Will Amortization	-	(285,606)
Stationery Write-Off	(15,998)	(37,018)
LIFO Adjustment*	-	68,940
Insurance Reserve Adjustments and Dividends	-	99,471
Miscellaneous	15,120	91,069
Inventory Adjustment (Dailey Pickle)	157,000	-
	$237,943	$659,335

*Items reclassified to cost of sales in 1965 that were netted in other Income in 1964.

GLD004011

II. Operating Statement

D. Depreciation

Book Depreciation charges for 1965 were $6,753,140 compared to $6,735,858 in 1964.

Additional depreciation of approximately $1,815,739 will be claimed for Federal Tax purposes in 1965 as a result of the new "Guide Lines" adjustment of asset lives.

E. Fixed Charges

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

	1965	1966
Interest on long-term debt	$1,355,629	$1,264,000
Estimated Real Estate Lease Liability (Confidential) See Page 9.	2,052,859	2,112,379
	$3,408,488	$3,376,379

Based on the 212,982 shares of preferred stock issued and outstanding at August 31, 1965, preferred dividends of $452,587 will become payable in 1966.

F. Advertising Expense

By Group

	C & R*	Durkee Foods	Chemical	Int'l.	Devel. Group	Corporate	Total	% to Sales
1965	$3,891,281	$3,427,654	$202,545	$ -**	$ 1,400	$73,017	$7,595,897	2.50%
1964	3,741,360	2,739,143	236,191	73,356	14,728	26,704	6,831,482	2.65%

* Includes Canadian Dollar Adjustment.

** 1965 Advertising expense for International Group was $92,312; recast as follows: C&R $88,740; Durkee Foods $300; Chemicals $2,634 and Corporate $638.

G. Research and Development

	1964 Actual	1965 Actual	1965 Budget	1966 Budget	Incr. 1966 Budget Over 1965 Actual
Research	$3,620,328	$4,068,488	$4,261,000	$4,574,000	$505,512
Administrative	216,032	217,244	248,000	191,000	(26,244)
Tech. Service to Mfg.	400,211	382,698	347,000	405,000	22,302
Sales Service	2,287,127	2,441,683	2,434,000	2,599,000	157,317
	$6,523,698	$7,110,113	$7,290,000	$7,769,000	$658,887
Control Lab.	1,625,747	1,702,151			
Total	$8,149,445	$8,812,264			
% of Net Sales	3.16%	2.90%			

II. Operating Statement

H. Average Assets and Profit Return

	1965* Average Assets	1965** Profit	1965 % Return
Coatings and Resins	$65,867,463	$9,553,199	14.5%
Durkee Foods	42,456,016	5,804,937	13.7%
Chemicals	48,965,797	7,997,494	16.3%
International	--	--	--
Total Groups	$157,289,276	$23,355,630	14.8%
Total Company	$170,950,613	$20,370,683	11.9%

* 1965 Average Assets for International Group were $11,976,967; Recast as follows: C & R $8,694,675; Durkee Foods $93,585; Chemicals $3,387,441 and Corporate Headquarters($198,734).

** 1965 Loss for International Group was ($195,411); Recast as follows: C & R $544,871; Durkee Foods ($20,334); Chemicals ($339,235); Development Group ($347,015), Corporate Headquarters ($33,698).

I. Miscellaneous

It may be pointed out, on inquiry, that all Divisions of the Company were operated profitably in 1965 with the exception of: the Portland Division of the Pacific Region; Architectural Products, Reliable Water Heater Co.- Puerto Rico, P.R. Obra- Puerto Rico, the H. J. Mayer -- Canada, General Paint - Mexico, Pemco Division - Belgium, the Berkeley Food Division and the Collinsville Chemical plant.

J. Outside Consultant Fees

Legal Department		$41,679
Patent Department		46,740
Executive Department:		
E&E Audit Provision	$87,300	
MacKay Shields	44,381	
Other	30,161	161,842
Controller's Department		48,407
Other Administrative Departments		289,021
Development Cost:		
A. D. Little	49,957	
Institute of Paper Chemistry	30,412	
Roy G. Peers	3,085	
Skeist Laboratories	2,588	
Electronics Associates, Inc.	4,198	
Rutgers University	17,000	
Stanford Research Institute	5,000	
Yale Laitin Associates, Inc.	13,331	125,571
		$713,260

II. Operating Statement

K. Taxes

1. Guideline Tax Depreciation

Revenue Procedure 62-21 permits, for a limited period of time, the deduction of depreciation based on arbitrary useful lives which may be substantially less than actual. This has resulted in an excess of tax depreciation over book depreciation in 1965 of $1,815,739 and in 1964 of $1,908,327. The higher tax deduction thus obtained has brought about a deferment of taxes payable in 1964 of $966,892 and in 1965 of $883,693. The Glidden Company will continue to employ for financial reporting purposes the asset lives based on statistical studies of our own replacement experience. The advantage obtained by the application of Revenue Procedure 62-21 lies in the immediate availability of cash that would otherwise be payable for current taxes.

2. Investment Credit

The Revenue Act of 1962 allows a credit against the tax liability of up to 7% of investment in property other than buildings since January 1, 1962. In 1965, this credit amounted to $361,720 or six cents per share.

In 1964, the credit was $303,911, or five cents per share, but in addition, earnings were increased by $224,935 or four cents per share, due to a 1964 amendment to the tax law.

The investment credit provision was amended by eliminating the requirement that the depreciable basis of qualifying property be reduced by the amount of the investment credit. Such amendment also provided for the restoration of the basis reduction which recurred in prior years.

It was no longer necessary, therefore, to provide for a deferred tax amount due to investment credit. The amount of such deferred tax reserve accumulated in prior years ($224,935) was, therefore, returned to income in 1964 by reducing the current tax provision by such amount.

For 1965 and subsequent years, the total amount of the investment credit will flow through to earnings by a direct reduction of the current Federal tax provision.

Deferment of taxes in 1965 for future years amounted to $884,000. This deferment of taxes provided an additional cash flow amounting to $.14 per common share.

II. Operating Statement

L. Comparative Operating Profit Schedule (Thousands Omitted)

	1965 Before Taxes	1965 After Taxes***	1964 Before Taxes	1964 After Taxes*
Coatings and Resins	$ 9,553	$ 4,987	$ 8,173	$ 4,032
Gain on Buena Park Land	-	-	(157)	(118)**
Inventory Increment	(564)	(291)	(108)	(53)
Universal Color System	-	-	165	81
Net Operating Profit	$ 8,989	$ 4,696	$ 8,073	$ 3,942
Foods	5,805	2,980	5,091	2,512
Net Market (Gain) Loss	(1,100)	(566)	(280)	(138)
Provision for Frozen Foods	-	-	550	334**
Net Operating Profit	$ 4,705	$ 2,414	$ 5,361	$ 2,708
Chemicals	7,998	3,955	7,756	3,826
Collinsville Abandonment	-	-	161	79**
Net Operating Profit	$ 7,998	$ 3,955	$ 7,917	$ 3,905
International	-	-	488	182**
Development				
Architectural Products	$ (31)	$ (16)	$ (414)	$ (204)
Corporate Development Costs	(960)	(663)	(843)	(416)
Partial A.P.D. Abandonment	-	-	83	41
Net Operating Loss	$ (991)	$ (679)	$(1,174)	$ (579)
Other Income (Deductions)	$(1,288)	$ (642)	$(1,925)	$ (950)
Pension Cutback	(496)	(255)	(100)	(49)
Net Operating Loss	$(1,784)	$ (897)	$(2,025)	$ (999)
To Adjust for Effective Tax Rate	-	393	-	275
Net Operating Profit	$18,917	$ 9,882	$18,640	$ 9,434
Adjustments Itemized Above	2,160	1,112	(314)	(177)
LIFO (Provision) Reversal	(31)	(16)	69	34
Investment Write-Down	(500)	(500)	-	-
Inventory Adjustment	157	81	-	-
Provision for Claims & Fees	(246)	(127)	(396)	(195)
Adjustments - Prior Years	214	214	-	-
Gain on Buena Park	-	-	412	309**
Goodwill and Intangibles Amortization	-	-	(286)	(286)**
Insurance Adjustments	-	-	91	45
Special Bonus Provision	(300)	(155)	(200)	(99)
Total Published Profit	$20,371	$10,491	$18,016	$ 9,065

* Computed at 49-1/3% in 1964 of before tax amount except those noted with a (**) double asterisk.

*** Computed at actual tax rate of 48.6685% for domestic groups and at actual rate at various percents for non-domestic income.

II. Operating Statement

M. Summary of Extraneous Items (Thousands Omitted)

	1965		1964	
	After Taxes	Per Share*	After Taxes	Per Share*
Published Final Net Profit	$10,491	$1.630	$9,065	$1.450
Foods Market Reserves	(566)	(.093)	(138)	(.024)
Pension Cutback	(255)	(.042)	(49)	(.008)
LIFO Provision (Reversal)	16	.002	(34)	(.005)
Provision for Claims and Fees	127	.021	195	.033
Provision for Frozen Foods	-	-	334	.057
Gain on Buena Park	-	-	(309)	(.053)
Goodwill & Intangibles Amortization	-	-	286	.049
Collinsville Abandonment	-	-	79	.014
Insurance Adjustments	-	-	(45)	(.007)
Partial A.P.D. Abandonment	-	-	41	.007
C&R Inventory Increment	(291)	(.048)	(53)	(.009)
Special Bonus Provision	155	.025	99	.017
Universal Color System	-	-	81	.014
Additional Gain-Buena Park Sale	-	-	(118)	(.020)
Investment Write-Down	500	.082	-	-
Inventory Adjustment (Dailey Pickle)	(81)	(.014)	-	-
Adjustments - Prior Year	(214)	(.035)	-	-
	$ 9,882	$1.528	$9,434	$1.515
Number of Shares (Post-Split)	6,130,166		5,868,930	

* Reflects 2-1/2 to 1 Stock Split.

III. Cash Use and Projection

A. Application of Funds (In thousands)

	1965	1964
Source of Funds		
Net Income	$10,491	$ 9,065
Depreciation	6,753	6,736
Provision for deferred income taxes	884	742
	$18,128	$16,543
Net current assets acquired from The Macco Chemical Co. and subsidiaries for Preferred Stock	-	840
Net current assets acquired from Dailey Pickle Company for Common Stock	1,429	-
Sale of Common Stock under option plans (1965-48,295 shares; 1964-33,150 shares - After Stock Split)	751	506
Other sources (applications):		
Prepaid bond discount and expense - Decrease	31	31
Prepaid development costs - (Increase)	16	(166)
Other non-current receivables	-	723
All other - net	68	283
	$20,423	$18,760
Application of Funds		
Dividends declared	$ 5,591	$ 5,163
Expenditures for property, plant and equipment	9,866	6,905
Acquisition of Common Stock for treasury (104,550 shares)	2,438	-
Retirement of sinking fund debentures	1,716	1,500
Redemption of $2.125 Cumulative Preferred Stock (2,950 shares)	166	-
Increase in working capital	646	5,192
	$20,423	$18,760

III. Cash Use and Projection

B. Five-Year Forecast - Cash Basis
(In Thousands of Dollars)

	Actual			Forecast				
	1963	1964	1965	1966	1967	1968	1969	1970
Profit Before Taxes	14,467	18,016	20,371	23,079	27,064	32,666	37,887	43,123
Profit After Taxes	7,494	9,065	10,491	12,140	14,209	17,215	20,004	22,812
Earnings Per Share	$1.21	$1.45	$1.63	$1.84	$2.09	$2.55	$2.93	$3.33
Depreciation - Regular	6,750	6,736	6,765	7,490	8,170	8,559	8,697	8,878
- Retirements	(1,711)	(1,202)	(719)	(1,172)	(1,033)	(1,563)	(581)	(945)
Net Depreciation	5,039	5,534	6,046	6,318	7,137	6,996	8,116	7,933
Tax on Depreciation Not Booked	2,613	742	884	769	635	291	82	64
Increase in Current Liabilities	2,009	5,450	1,328	4,410	2,873	1,444	364	1,587
Incr. in Cap. Stock & Add'l. Cap. Paid In(1)	18	1,810	153	(2,982)	(1,466)	12	320	140
Total Cash In-Flow	17,173	22,601	18,902	20,655	23,388	25,958	28,886	32,536
Less Dividends - Common	4,663	4,682	5,073	5,532	7,752	9,468	11,502	12,547
- Preferred	420	481	518	346	121	-	-	-
Net Cash Flow After Dividends	12,090	17,438	13,311	14,777	15,515	16,490	17,384	19,989
Add Beginning Cash Balance	11,947	15,540	19,767	15,639	10,149	6,411	5,748	4,858
Cash Available	24,037	32,978	33,078	30,416	25,664	22,901	23,132	24,847
Less Cash Utilization								
Capital Additions - Regular	4,024	6,905	10,098	13,430	11,489	10,027	10,027	10,027
- Retirements	(588)	(1,703)	(214)	(1,172)	(1,033)	(1,563)	(581)	(945)
Net Capital Additions	3,436	5,202	9,884	12,258	10,456	8,464	9,446	9,082
Retirements of Debentures	-	1,500	1,716	1,284	1,500	1,500	1,500	1,500
Increase in Accts. Rec. and Inv.	4,491	5,956	5,895	6,172	7,230	7,116	7,250	6,987
Increase in Other-Current Assets	(686)	459	207	176	21	23	24	34
Increase in All Other Assets	1,256	94	(263)	377	46	50	54	75
Total Cash Utilization	8,497	13,211	17,439	20,267	19,253	17,153	18,274	17,678
Net Cash Available Per Plan (Cumulative)	15,540	19,767	15,639	10,149	6,411	5,748	4,858	7,169

(1) Includes Treasury Stock.

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IV. Employee Benefits

A. Pension Plan

	Expense per Books	Trust Fund Assets July 31, 1965 Cost	Trust Fund Assets July 31, 1965 Market	Unfunded Past Service Liability	Annual Current Service Cost	Number of Employees Retired Funded	Number of Employees Retired Employees
U. S. Salaried	$ 700,000	$19,572,752	$22,028,176	$4,733,836	$1,371,070	$1,756	$357
U. S. Hourly	224,737	4,621,481	5,087,886	-	240,918	1,193	356
Canadian Salary	104,200	1,085,338	1,221,960	585,600	69,300	278	15
Canadian Hourly	30,600	342,007	382,396	108,300	21,700	130	15
Total Funded	$1,059,537	$25,621,578	$28,720,418	$5,427,736	$1,702,988	$3,357	$743
Unfunded - Supplemental	116,535						123
To be deposited to meet 1965 requirements		243,600	243,600				
Total	$1,175,072	$25,865,178	$28,964,018	$5,427,736	$1,702,988	$3,357	$866

There were no amendments to our Pension Plan last year.

IV. Employee Benefits

B. Bonus Plan

Original plan adopted February 8, 1951 and amended through September 28, 1965. Administered by a Bonus Committee elected by the Board of Directors. In 1955, Gilbert suggested provision preventing bonus to top officers until a certain dividend has been paid.

Formula provides 12% must be earned (pretax) on bonus net capital (capital, term debt, etc.) before providing a bonus of 7% of profit. Net income must exceed 6% bonus net capital employed also. The 1965 computation was:

Consolidated Net Income (After Taxes)		$10,490,683
Less: 12% Bonus Net Capital Employed		(17,250,609)
Add - Interest on Debt - Bruges Notes to Banks	$ 36,000	
Interest on Debt - Debentures	1,355,629	
Bond Discount Amortization	12,000	
Bonus Provision	300,040	
Provision for Income Taxes	9,880,000	$11,583,669
Less- Dividends and Interest from Unconsolidated Subsidiaries and Affiliated Companies		(140,481)*
Net Bonus Income		$ 4,683,262
Bonus Provision - Maximum Amount 7%		$ 327,828
Consolidated Net Income (After Tax)		$10,490,683
Less: 6% Bonus Net Capital Employed		8,625,305
Maximum Amount		$ 1,865,378
Actual Provision		$ 300,040

* Dividend Income	$138,378
Interest Pintica	777
Interest Pincasa	1,326
	$140,481

Since 1951, the maximum allowable provision was $3,085,958. We have returned to profit $980,218 leaving $2,105,740 for Bonus payout.

In 1965, we provided, as indicated above, $300,040 for Bonuses. In fiscal 1966 $205,500 was awarded to seventy-three (73) individuals. The highest individual amount was $14,000 to Mr. P. W. Neidhardt.

No Bonus provisions or awards were made for the years 1960, 1961, 1962, or 1963.

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IV. Employee Benefits

B. Bonus Plan (Cont'd)

In 1959, 124 awards were made, totaling $209,750. The highest individual amount awarded was $8,000 (to Duncan and Halsey). A total of 1,317 awards have been made from 1951 through 1965. Maximum in any one year was 212, lowest 48. The highest individual amount awarded was $14,000 to Mr. P. W. Neidhardt in 1966. The previous high award ($12,000) was made to Duncan, Sprague, Ruth and Goldseth in 1951.

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

The purpose of the Bonus Plan is to provide reward and incentive to those employees and officers, except the Chairman of the Board of Directors and the President, who, beyond the call of duty, contribute to the success of the Company. As provided in the Plan, each award of more than $2,500 is paid in annual installments of 25% of the amount awarded or $2,500, whichever is greater, and the Bonus Committee determines what part of any award is to be paid in cash or stock. No bonus awarded to an employee for any fiscal year may exceed 50% of the basic annual salary of such employee at the end of such fiscal year.

Approximately 305 employees who receive salaries of $1,250 or more per month (including eight officers of the Company who serve as Directors) are currently eligible for consideration for bonus awards. The Chairman of the Board of Directors and President may not be awarded a bonus under the Plan.

C. Stock Options (All figures adjusted for 2½ for 1 stock split, 7-22-65)

Under the 1952 Plan 250,000 shares of authorized and unissued common stock were made available. The Plan provided that no option could be granted to an employee after age 65, and no participant could receive options covering more than 12,500 shares. The Plan also provided that the option price could not be less than 95% of the fair market value of the stock on the day the option was granted, and the option period could not exceed ten years from the date the option was granted nor more than three months after retirement of a participant. All rights to exercise options terminate when an employee ceases to be an employee for any cause other than death or retirement.

As of August 31, 1965, options to purchase 297,175 shares (120,000 to officers and directors) had been granted under the 1952 Plan. (Options for 83,580 shares had expired by reason of termination of employment or lapse, of which options for 47,175 shares were reissued, as authorized by the Plan, to qualifying employees).

Options representing 164,045 shares had been exercised (76,000 by officers and directors). There were outstanding under the 1952 Plan as of August 31, 1965 options for 49,325 shares (40,650 for officers and directors),

IV. Employee Benefits

C. Stock Options

exercisable over a period of ten years from the date granted but not more than three months after termination of a participant's employment. A total of 20 officers and directors and 19 other employees held options under the 1952 Plan. Officers and directors held options as follows:

	Option Price of $14.80 Expiring 11/29/66	Option Price of $15.00 Expiring 9/29/67	Option Price of $16.60 Expiring 12/28/68
Dwight P. Joyce	2,500		
B. W. Maxey	2,500		
W. G. Phillips	5,000		1,250
G. M. Halsey	3,250		2,500
R. D. Horner	5,000		750
J. H. Weeks	2,500		
G. S. Warner	5,000		1,250
P. W. Neidhardt	650		
R. E. Dorfmeyer		1,000	750
All directors and officers as a group (including those named above)	30,650	1,250	8,750

On September 29, 1959, the authority of the company's Stock Option Committee to grant options under the 1952 Stock Option Incentive Plan was terminated by action of the Board of Directors.

1959 Option Plan

Provides Committee may option 250,000 shares of authorized and unissued common stock.

Principal differences from old plan:

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

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

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

4. Term of option set by Committee up to ten years and may not be exercised for two years after grant (old plan all for ten years). Options issued in 1964 and subsequent years are for five-year term.

IV. Employee Benefits

C. Stock Options (Cont'd)

Under the 1959 Plan, options to purchase a total of 255,750 shares have been granted to 131 employees (including 121,500 shares to 31 officers). Directors and officers held options as follows:

	Option Price of \$18.05 Expiring 3/1/69	Option Price of \$21.20 Expiring 8/2/69	Option Price of \$20.70 Expiring 11/1/69	Option Price of \$16.00 Expiring 5/25/70	Option Price of \$16.40 Expiring 7/23/71	Option Price of \$17.00 Expiring 12/21/71
Dwight P. Joyce				5,000		
B. W. Maxey						5,000
W. G. Phillips						5,000
G. M. Halsey				3,500		5,000
R. D. Horner						5,000
J. H. Weeks						5,000
G. S. Warner						5,000
P. W. Neidhardt			2,000	1,000	2,500	5,000
R. E. Dorfmeyer			1,250		2,000	
All directors and officers as a group (including those names above)	7,500	5,000	16,500	17,000	10,500	59,750

At August 31, 1965, options for 227,829 shares were outstanding and no further options may be granted in the future under the 1959 Plan.

1964 Option Plan

Provides Committee may option 250,000 shares of authorized and unissued common stock.

Principal differences from 1952 and 1959 Plans:

1. Option price not less than 100% of fair market value (1952 Plan 95%). All plans not less than book value.
2. A subsequent option may not be exercised while there is outstanding any prior option at a higher price.
3. No option to employee after age 60 (1952 Plan 65).
4. May not be terminated and reissued at lower price.
5. Term of option may not exceed five years.
6. Shares purchased under options must be held for three years to receive long-term capital gain tax treatment.

IV. Employee Benefits

D. Wage and Salary Ratios

	1965	1964
Manufacturing Wages to Cost of Products Manufactured	12.4%	13.4%
Total Wages and Salaries	$56,583,589	$50,349,896
% to Net Sales	18.6%	19.5%
Total Wages, Salaries and Benefit Costs	$61,532,357	$55,135,822
% to Net Sales	20.2%	21.4%

E. Salaries

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

The proxy statement reports that total remuneration of all directors and officers as a group increased from $1,390,744 in 1964 to $1,550,519. Number of officers remained 40.

F. Other Benefits

In addition to the Retirement Plan, employees are eligible to participate in a group life insurance, hospital and surgical benefit plan, a major medical plan, and an accidental death insurance plan. The Company has a formalized disability benefit plan whereby employees receive a portion of their salary or wages during prolonged illness - the amount and duration of benefits depending upon the employee's length of service. In fiscal 1964 a long-term disability plan was made available to employees earning $750 or more per month.

V. Acquisitions, Dispositions, and Capital Expenditures

A. Acquisitions

During fiscal 1965, the following acquisitions took place.

Dailey Pickle Company - April 1, 1965

The assets of Dailey Pickle Company and Alcon Corporation, Saginaw, Michican, were acquired in exchange for 85,185 Common Shares of The Glidden Company stock. The Dailey Pickle Company produces pickles and pickle specialties, such as relishes, and the Alcon Corporation produces vinegar primarily for use in the Dailey Pickle products.

Acquired through merger as of April 1, 1965:

Assets and Liabilities		Net Worth	
Cash	$ 46,000	Common Stock	$ 818,400
Receivables	255,427	Earned Surplus	1,306,204
Inventory	1,424,864	Profit and Loss	38,352
Prepayments	30,158		
Net Fixed Assets	593,237		
Other Assets	22,072		
Payables	(159,897)		
Accruals	(48,905)		
	$2,162,956		$2,162,956

Armetco, Wooster, Ohio, Division of Vasco Metals Corp. - July 30, 1965

Acquisition for cash of metal powder assets from Armetco, Wooster, Ohio, Division of Vasco Metals Corp. Purchase amount of $389,000 consisted of $109,200 for machinery, equipment and fixtures, $254,800 for patents and $25,000 for inventory. Purchase date 7/30/65.

Alan Wood Steel Co. Powdered Metals Division - October 7, 1964

Purchased for $500,000 cash on October 7, 1964 used iron powder plant equipment from the Powdered Metals Division of Alan Wood Steel Company. (This transaction has not been publicized as an acquisition of a going concern.)

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B. Dispositions and Shutdowns

	Annual Sales Last Full Year	Profit or (Loss) Last Full Year	Avg. Profit or (Loss) Last 4 Yrs. Operated	Pre-Tax Profit or (Loss) on Sales or Abandonment	After Tax Cash & Asset Utilization Last Full Year Basis
Hammond 7/16/51	$ 4,076,147	$ (234,346)	$ (373,225)	$ 142,235	$ 2,044,710
Oakland 10/25/54	627,505	(226,221)	39,296	96,376	997,955
Feed Mill 8/10/54	4,423,653	65,538	15,608	(290,471)	2,417,154
Portland 9/18/52	2,941,393	92,554	13,771	(19,369)	1,224,149
Cambridge 7/1/55	1,308,738	(60,579)	(9,537)	(6,542)	851,472
Yadkin	-	-	-	(8,149)	58,673
Jojaba - Castella	-	-	-	50,597	125,640
Barytes Mines	-	-	-	-	11,679
Luera Park 8/31/56	4,033,465	(11,032)	(67,338)	(253,580)	1,095,247

V. Acquisitions, Dispositions, and Capital Expenditures

B. Dispositions and Shutdowns (Cont'd)

	Annual Sales Last Full Year	Profit or (Loss) Last Full Year	Avg. Profit or (Loss) Last 4 Yrs. Operated	Pre-Tax Profit or (Loss) on Sales or Abandonment	After Tax Cash & Asset Utilization Last Full Year Basis
Eastern Marg. & Salad Prod. 2/1/57	$ 9,996,668	$ (372,378)	$ (414,580)	$ (197,934)	$ 2,383,320
Elmhurst Building A,8/31/57; S,8/1/58	-	-	-	(252,240)	1,269,854
Scranton 6/9/58	1,100,590	52,028	66,056	30,690	455,467
St. Helena 3/31/58	-	-	-	(1,215,239)	925,924
Buena Park Land 1/28/58	-	-	-	174,957	136,635
Chemurgy 9/1/58	31,982,480	1,477,859	1,503,501	1,156,164	27,415,123
Southern Pine 2/28/58	1,070,947	103,448	68,240	(76,237)	292,555
Valdosta 3/28/60	2,941,738	320,127	156,671	275,301	1,430,042
Berkeley M & SP 4/30/60	5,645,470	98,726	66,787	39,176	684,913
Tulsa-Gen. Paint 6/1/62	398,897	(7,795)	(1,795)	(7,813)	314,422
Architectural Products Division 6/23/64	2,757	(16,255)	(12,900) 1	(58,732) 3	154,851
Collinsville 8/24/64	-	-	-	(160,499)	81,117
Frozen Food Aband. 4/8/64 to 8/31/64	1,110,209	(243,575)	(143,031) 2	(416,588) 4	821,100
Buena Park Land 11/29/63 & 2/28/64	-	-	-	568,768	445,399
Total	$71,660,657	$1,038,099	$ 907,523	$ (429,129)	$45,637,401

	Book Value	After Tax Cash Flow	Excess - Cash Over Book Value
Fixed Assets - Sold	$11,667,440	$19,514,820	$7,847,380
- Abandoned	2,803,925	1,452,771	(1,351,154)
	$14,471,365	$20,967,591	$6,496,226

1 Two Year Average 1962-63

2 Two Year Average 1963-64

3 Loss on Disposition of Fixed Assets only. Additional Inventory Loss of $23,524 resulted in Total Loss on Disposition of $82,256.

4 Loss on Disposition of Fixed Assets only. In addition, Excess Cost of $86,511 and Other Expense (including Inventory Write-Down) of $47,294 was incurred to arrive at the Total Loss on Disposition of $550,393.

In Fiscal 1965 there were no major dispositions and shutdowns.

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V. Acquisitions, Dispositions, and Capital Expenditures

C. Mining Activity

The mining of Ilmenite Ore at Lakehurst, New Jersey, which was begun in August, 1962, produced 70,556 tons of ore in fiscal 1965.

There was no Development Cost in 1965. Development Cost for the project to date totaled $2,241,878. Capital expenditures to date for the mine as of August 31, 1965 were $5,437,662. Capital expenditures in fiscal 1965 were $16,121.

D. Major Expenditures Over $50,000 (Capital & Expense) 1965
(Thousands of Dollars)

	Expended Prior To 1965	Expended In 1965	Appropriations $100,000 And Over 1966
Coatings & Resins:			
Eastern - Finished Goods Whse.	$ 72	$ 60	$ -
Eastern - Construct 2nd Story Addn.-Bldg. 55	-	83	-
New Orleans - Factory Modernization Program	-	59	-
Southeast - Increase Production Facilities	-	53	-
Southeast - Vinyl Can Coating Facilities	-	53	-
Nubian - Conversion of Reactor #9 to Radiant Fired	-	63	-
Toronto - Land Purchase, Survey & Soil Work	-	267	-
Arch. Prods. - Construct Building	-	-	250
Macco Resins - Land, Plant Construction and Equipment	101	476	-
Res. Cntr. - Electrocoating Pilot Plant	14	91	-
Res. Cntr. - Continuous Reactor Pilot Plant	22	65	-
Other	437	1,272	2,092
Total Coatings & Resins - North America	$ 646	$ 2,542	$2,342
Ind. Glidden de P.R. - Land Acq. and Const. Bldgs.	-	270	-
Ind. Glidden de P.R. - Acq. of Surplus Land	-	360	-
Other	222	85	269
Total Coatings & Resins - International Units	$ 222	$ 715	$ 269
Total Coatings & Resins Group	$ 868	$ 3,257	$2,611

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V. Acquisitions, Dispositions, and Capital Expenditures

D. Major Expenditures Over $50,000 (Capital & Expense) 1965 (Cont'd.)
(Thousands of Dollars)

	Expended Prior To 1965	Expended In 1965	Appropriations $100,000 And Over 1966
Durkee Foods:			
Chicago - Spray Beading Tower	$ 18	$ 113	$ -
Chicago - New Warehouse - Puff Pastries	-	-	1,200
Chicago - Continuous Hydrogenation	-	-	110
Wolcott - French Onion Line	-	-	170
Louisville - Equip Refinery and Bleaching Plant	105	85	-
Louisville - Equip Acidulation Facilities	17	71	-
Louisville - Scrub Coolers for Deodorizers	-	59	-
Louisville - Hydrogen Gas Plant	-	304	-
Louisville - Filling Line and Automatic Palletizer	-	-	125
Louisville - Continuous Bleaching	-	-	105
Berkeley - Hydrogen Plant	-	-	200
Bethlehem - Coconut Modernization Program	108	60	-
Dailey Pickle - Processing Line	-	-	120
Gretchen Grant - Plant Expansion	-	281	-
Other	850	840	1,224
Total Durkee Foods Group	$1,098	$ 1,813	$ 3,254
Chemicals:			
Hammond - Iron Powder Manufacturing Plant	$ -	$ 2,627	$ -
Hammond - Ferrous Equip.	-	-	550
Pemco - Alterations and Additions to Bldg. 19	1	79	-
Johnstown - Ore Handling Equipment	-	109	-
Johnstown - Annealing Furnace	-	-	140
Johnstown - Hydrogen Generator	-	-	200
AJW - Inorganic Research Facilities	-	623	-
AJW - Black Liquor Filters and Auxiliaries	-	92	-
AJW - Sodium Aluminate Treatment Facilities	-	88	-
AJW - Sand Milling Equipment	-	98	-
AJW - Increased Plant Manufacturing	-	-	400
AJW - Monohydrete Reclaimation Facilities	-	-	100
Lakehurst Mine - Zircon Plant	-	-	100
Lakehurst Mine - Field Screening	-	-	145
Jacksonville - Column Modifications, Well, Stge. Tanks	218	180	-
Jacksonville - Road Paving, Drainage	6	77	-
Jacksonville - Waste Treatment Plant	1	62	-
Jacksonville - Addn'l. Basic Terpene Stge. Facilities	-	78	-
Jacksonville - West Coast Terpene Plant	-	-	600
Jacksonville - Beta Ionones Plant	-	-	500
Jacksonville - Flavor Oils Equipment	-	-	500
Other	1,577	1,157	2,201
Total Chemicals Group Domestic	$1,803	$ 5,270	$ 5,436

V. Acquisitions, Dispositions, and Capital Expenditures

D. Major Expenditures Over $50,000 (Capital & Expense) 1965 (Cont'd.)
(Thousands of Dollars)

	Expended Prior To 1965	Expended In 1965	Appropriations $100,000 And Over 1966
Chemicals: (Cont'd)			
Pemco Bruges - Other	$ 898	$ 145	$ 172
Total Chemicals Group	$2,701	$ 5,415	$ 5,608
Headquarters:			
UCB - Reconstruct Eighth Floor Facilities	$ -	$ 61	$ -
Other	26	208	210
Total Headquarters	$ 26	$ 269	$ 210
Development Group	$ 39	$ -	$ -
Total Company	$4,732	$10,754	$ 11,683
Unassigned	-	-	(1,000)
Total Company	$4,732	$10,754	$ 10,683

Statement Re: Capital Expenditures 1965 Annual Report . . . "We now expect that capital expenditures will be in the range of $10 million annually through 1970."

VI. Other Major Functions and Items

A. Donations

The donations policy of the Company provides for reasonable support to educational, health and welfare, and charitable organizations. This policy is administered by the Donations Committee, under the direction and guidance of the President and Board of Directors.

Educational support has been given through the following:

1. Awarding of four scholarships under the auspices of the National Merit Scholarship Corporation. 1965 winners were: Gary T. Day (Dartmouth College), John Palazzo (Harvard College), Lawrence K. Robinson* (Yale University), Anne B. Thomas* (Mount Holyoke College).

   *Children of employees.

2. Cooperative Contribution Plan, under which the Company makes unrestricted grants to degree-granting universities in an amount equal to the donations made by employees of the Company to public colleges and universities, and twice amounts donated to private colleges and universities. Contributed in fiscal 1965 - $26,341 to 123 colleges.

3. Chemistry lectureship grants provided to six United States universities to provide for lectures by outstanding individuals and to help promote understanding and interest in scientific achievement.

4. Outright grants to selected colleges and universities in the state of Ohio such as Case and Western Reserve and the Ohio Foundation for Independent Colleges.

In the health and welfare category, the Company has supported the United Fund, Community Chest, Red Cross and United Health Fund programs in the communities where it has plants or branches.

In addition, selective support has been given to other service organizations and foundations. Contributions are not given to sectarian groups, labor organizations, etc.

	1965	1964	1963	1962
Education	43%	42%	41%	45%
Health and Welfare	42%	48%	36%	36%
Other	15%	10%	23%	19%
Total Donations	$197,159*	$220,314*	$171,690*	$157,873
% of Net Profit	1.9%	2.43%	2.29%	2.36%
Per Employee	$23.21	$28.24	$22.87	$22.19

* Includes in 1965-$11,884; in 1964-$4,150, and in 1963-$17,672 in contributions of merchandise not included in prior years.

VI. Other Major Functions and Items

B. Audit

Ernst & Ernst representatives present at the meeting will be Messrs. E. J. Guia, Partner; and E. L. Tabol, Partner.

Company internal audit staff conducts surprise audits of all operating units on a schedule calling for examinations as required. Audit verification is obtained on all acquisitions and investments.

C. Insurance

1. Fire

a. Factory Insurance Association, (FIA) covers for Fire, Lightning, Windstorm, Hail, Explosion, Aircraft Damage, Vehicle Damage, Smoke Damage, Riot, Civil Commotion, Vandalism, and Sprinkler Leakage.

(1) Coverage is on an agreed-amount basis with no co-insurance requirement and with a small deductible.

(2) Plants covered are all U.S. and Canadian manufacturing properties except Toronto, Montreal, Burnaby, H. J. Mayer at Windsor, St. Louis, San Francisco, New Orleans, the varnish department at Minneapolis, Iron Street, Collinsville, APD Atlanta, Wolcott, Wilmington, Wickliffe, Jersey City, Gretchen Grant in Maplewood, Dailey Pickle in Saginaw and Allied Foods in Los Angeles, (Allied acquired after 8/31/65).

b. Factory Mutuals covers for the same perils as described in Section 1-a above.

(1) Coverage is on an agreed-amount basis with no co-insurance requirement.

(2) The one plant covered under this policy is Wickliffe.

c. Industrial Property Floater (IPF) covers for the same perils as described in Section 1-a above.

(1) Coverage is on an agreed-amount basis with no co-insurance requirement and with a small deductible.

(2) Plants covered are San Francisco, New Orleans, the varnish department at Minneapolis, Iron Street, Collinsville, St. Louis, Wolcott, APD Atlanta, Wilmington, Jersey City, Maplewood, Saginaw, Walker Bros., and Allied Foods. (Allied acquired after 8/31/65).

d. Blanket Insurance covers for the same perils as described in Section 1-a, above in Canada.

VI. Other Major Functions and Items

C. Insurance (Cont'd.)

(1) Coverage is agreed-amount basis with no co-insurance requirement.

(2) Plants covered are Toronto, Montreal, H. J. Mayer in Windsor.

e. American International Underwriters (AIU) covers for basically the same perils as described in Section 1-a, either under a specific policy in the country involved or under a blanket policy.

(1) Coverage generally is on a co-insurance basis and written without a deductible.

(2) Plants covered are Bruges, Panama, Mexico, and Puerto Rico.

2. Use & Occupancy (U & O) or Business Interruption

a. FIA covers for the same perils as in Section 1-a.

(1) Coverage is on an agreed-amount basis with no co-insurance requirement and with a small deductible.

(2) This covers at the same locations as is covered for fire in Section 1-a-(2), and entire Minneapolis plant.

b. Factory Mutuals covers for the same perils as described in Section 2-a.

(1) Coverage is on an agreed-amount basis with no co-insurance requirement.

(2) The one plant covered under this policy is Wickliffe.

c. IPF covers for the same perils as described in Section 2-a.

(1) Coverage is on an agreed-amount basis with no co-insurance requirement and with a small deductible.

(2) Plants covered for U & O are Wilmington, San Francisco, APD Atlanta, Wolcott, Iron Street, Jersey City, Maplewood, Saginaw, Walker Bros., and Allied Foods. (Allied acquired after 8/31/65).

(3) Plants covered for extra expense are New Orleans and St. Louis.

VI. Other Major Functions and Items

C. Insurance (Cont'd.)

d. AIU covers for basically the same perils as described in Section 2-a, either under a specific policy in the country involved or under a blanket policy.

(1) Coverage generally is on a co-insurance basis and written without a deductible.

(2) Plants covered are Bruges, Panama, and Mexico.

3. Boiler

a. We carry boiler and pressure vessel insurance including U & O where necessary.

(1) Coverage is subject to limit only.

(2) Has deductible provision to exclude small claims.

4. Transportation

a. We carry blanket policies for ocean and inland transportation cargo losses.

b. Small deductible applies to inland cargo losses.

5. Fidelity

a. All employees are bonded in substantial amount under a blanket fidelity bond.

b. Small deductible applies to exclude small claims.

6. Liability

a. We carry comprehensive bodily injury and product liability insurance and property damage liability.

b. Property damage liability is written with a sizeable deductible to give our sales force and legal department latitude in settling customer complaints.

VI. Other Major Functions and Items

C. Insurance (Cont'd.)

7. Workmen's Compensation

a. We self-insure workmen's compensation in thirteen (13) states.

(1) The self-insured states are California, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Minnesota, Missouri, Ohio, New Jersey, and Pennsylvania.

(2) We have excess insurance in case of a catastrophe to cover accidents excess of $25,000 up to $1,000,000.

(3) Self-insurance has saved us over $1,000,000 in the last thirty-three (33) years.

b. Other states are insured for workmen's compensation except where there is a compulsory State Fund.

8. Automobile

a. We insure company-owned and leased cars and trucks for liability and physical damage in adequate amounts.

9. Losses

a. There were no major fires in the last fiscal year. Jacksonville was damaged in the amount of $17,659 by Hurricane Dora on September 9, 1964. (New Orleans suffered less than $50,000 damage as a result of Hurricane Betsy in the early part of this (1966) fiscal year.)

b. The total amount of loss from a tank collapse at Adrian Joyce Works was $77,037. Of this, $40,667 was direct property damage and $36,370 was business interruption.

10. Insurance Cost

a. Total Cost of insurance premiums for fire and extended coverage and vandalism on buildings, machinery, equipment and inventory, plus use and occupancy (business interruption) and extra expense, as well as boiler insurance, was $348,890 for the past fiscal year. (This figure should not be given out.)

VI. Other Major Functions and Items
D. Foreign Business

The Glidden Company

Offshore sales of the Parent Company, excluding those transacted by the Export Division, aggregated $5,926,809 in 1965 compared with $3,323,556 in 1964. The increase was attributed principally to increased export sales of the Louisville Division ($3,965,903 vs. $1,664,984). Glidden domestic divisions realized $514,596 (8.7% of net sales) gross profit on these sales in 1965 compared with $377,447 (11% of net sales) in 1964.

Included in consolidated Glidden sales and net earnings in 1965 and 1964 were the following:

	1965	1964
Net Sales		
Glidden International, C.A. (Including its subsidiaries)	$ 2,373,105	$1,569,035
Export Division	3,677,698	3,425,743
Industrias Glidden de Puerto Rico, Inc.	4,605,741	1,638,143
TOTAL	$10,656,544	$6,632,921
Net Profit (after foreign income taxes)		
Glidden International, C.A. (Including its subsidiaries)	$ (190,636)	$ 215,378
Export Division	221,055	268,275
Industrias Glidden de Puerto Rico, Inc.	(63,420)	128,452
Headquarters Allocations	(320,908)	(273,932)
TOTAL	$ (353,909)	$ 338,173

The Glidden Company had one active foreign licensee during 1965 and received a technical service fee of $2,360 compared with foreign technical service fees of $2,906 in 1964 and $13,236 in 1963.

VI. Other Major Functions and Items

D. Foreign Business - continued

The Glidden Company

A direct stock interest was held in the following companies at August 31, 1965:

Name	% of Interest	Net Book Cost
Consolidated -		
The Glidden Co. Ltd.-Canada	100.0%	$ 50,000
Glidden International, C.A.	100.0	18,018
Industrias Glidden de Puerto Rico	100.0	250,000
		$318,018
Unconsolidated -		
Fabrica Nacional de Pinturas, S.A. Cuba	15.1	-
TOTAL		$318,018

1) The Glidden Company, Ltd. (Canada) - Glidden holds 100% (4,200) shares at a book cost of $50,000. Shareholder equity at August 31, 1965 was $7,161,444 (including its subsidiary, Walker Brothers Limited), which is included in the consolidated balance sheet in the 1965 Annual Report.

2) Glidden International, C.A. - Glidden holds 99 shares (one held by The Glidden Company, Ltd. - Canada) which represents effective 100% control. Consolidated shareholder equity at August 31, 1965 and 1964 is shown below:

	August 31 1965	1964
Glidden International, C.A.	$2,265,113	$2,453,934
General Paint Co. de Mexico, S.A.	88,137	95,717
Glidden Panama, S.A.	74,318	59,783
Fabrica de Pinturas Glidden, S.A. Panama	45,207	6,494
Glidden Chemie GmbH	43,653	91,136
	$2,516,428	$2,707,064

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VI. Other Major Functions and Items

D. Foreign Business - continued

The Glidden Company

3) Industrias Glidden de Puerto Rico, Inc. - At August 31, 1965, Glidden held 25,000 shares representing all the shares issued and outstanding, at a value of $250,000. This company was organized in fiscal 1962 to be available as a holding and/or operating company for the various Glidden operations in Puerto Rico. Operations at August 31, 1965 included the Puerto Rican paint branches and as holder of Glidden's 100% interests in Trans-Caribe Supply Company (plumbing supply business), Reliable Water Heater Company, Incorporated, (water heater manufacturer) and P. R. Obra, Incorporated (paint contracting) which are all located in Puerto Rico. There has been no direct payment for equity in Trans-Caribe and Reliable since such payment is dependent on future profits. Glidden's original loan of $500,000 was written down to $209,344 during 1963. A further write-off to $195,727 was made in 1964. Owing to Industrias Glidden at August 31, 1965 was an additional $714,000 by Trans-Caribe Supply. With regard to P. R. Obra, this paint contracting firm was acquired in January and February 1965 and 500 shares representing all the shares issued and outstanding are held by Industrias Glidden de Puerto Rico at a value of $47,000. All of these companies were consolidated at August 31, 1965 with the operations of Trans-Caribe and Reliable being consolidated initially at August 31, 1964 and P. R. Obra in August 1965. The water heater business (Reliable) is to be disposed of during fiscal 1966 due to unprofitable results experienced thus far.

4) Fabrica Nacional de Pinturas, S.A. (Cuba) - Glidden holds 31,421 shares which represented a 15.1% interest. The company was intervened by the Cuban Government in October, 1960. Both Glidden and Glidden International were adequately provided to cover the rather nominal accounts receivable balances outstanding. Since the shares were acquired by Glidden at no direct cost, no investment loss was suffered through this intervention.

Glidden International, C.A.

At August 31, 1965, Glidden International, C.A. acted as a holding company for the stock of Glidden's foreign subsidiaries except for The Glidden Company, Limited (Canada); Industrias Glidden de Puerto Rico, Inc.; and Fabrica Nacional de Pinturas, S.A. (Cuba). Details of the direct stock interest are shown on page 39.

In addition to acting as a holding company, the Belgian branch of the Company commenced frit manufacturing operations in 1964 in Bruges, Belgium. To extend frit operations into Spain, two new companies were incorporated in May 1965:

VI. Other Major Functions and Items

D. Foreign Business - continued

Glidden International, C.A.

(a) Industrias Glidden de Espana, S.A., an inactive manufacturing subsidiary and

(b) Glidden Iberica, S.A., a marketing subsidiary. Operations of Glidden Iberica were consolidated with the Bruges operation at August 31, 1965.

The sheet galvanizing company in Guatemala, Galvanizadora Centro-Americana, S.A., which was established in 1964, completed the construction of its plant during fiscal 1965 and manufacturing has begun in early fiscal 1966. GICA held 45% of the issued and outstanding capital stock at August 31, 1965 at a value of $270,000.

Glidden International, C.A. had twenty-two active foreign licensees and received $321,428 in fees from these sources in 1965, compared with $336,155 in 1964 (twenty-three licensees).

In 1965, for the fourth year, Glidden International, C. A. was consolidated with The Glidden Company for reporting purposes. Sales and net profits after foreign income tax are shown below:

Sales (Amounts in thousands)	1965	1964	1963
Bruges	$ 800	$ 265	$ (a)
Export Office	(b)	(b)	3,273
Puerto Rican Branches	(c)	(c)	1,460
Panama	776	550	458
Mexico	797	754	642
TOTAL	$2,373	$1,569	$5,833

(a) - First started operations in 1964
(b) - Sold to The Glidden Company (U.S.) on September 1, 1963
(c) - Sold to Industrias Glidden de Puerto Rico, Inc. on September 1, 1963.

VI. Other Major Functions and Items

D. Foreign Business - continued

Glidden International, C.A.

Net Profit	1965	1964	1963
Bruges	(540)	(237)	(a)
Export Office	(b)	(b)	213
Puerto Rican Branches	(c)	(c)	106
Panama	120	66	40
Mexico	(8)	(9)	11
OPERATING TOTALS	$(428)	$(180)	$ 370
Glidden Chemie	25	73	151
Int'l. Licensee Income	321	336	252
Other	30	(6)	74
SUBTOTAL	$ (52)	$ 223	$ 847
Intracompany Dividend Elimination	(139)	(8)	(201)
TOTAL GICA	$(191)	$ 215	$ 646

(a) - First started operations in 1964
(b) - Sold to The Glidden Company (U.S.) on September 1, 1963
(c) - Sold to Industrias Glidden de Puerto Rico, Inc. on September 1, 1963

Glidden International, C.A. funds have been provided from accumulated earnings, bank borrowings, and borrowings from related companies. At August 31, 1965, the following were borrowings outstanding:

The Glidden Company	
To Glidden Panama S.A.	$ 456,000
To Fabrica de Pinturas, S.A. (Panama)	400,000
To Glidden International, C.A.	250,000
The Glidden Company, Ltd. (Canada)	730,500
Industrias Glidden S.A. de C.V. (Mexico)	25,000
Banque de Bruxelles (Belgium)	450,000
Banque Lambert (Belgium)	450,000
First National City Bank (Belgium)	300,000
Industrias Glidden de Puerto Rico, Inc.	
To General Paint Company de Mexico, S.A.	448,500
To Glidden Chemie GmbH	444,037
	$3,954,037

VI. Other Major Functions and Items

D. Foreign Business (Cont'd)

Glidden International, C. A.

Glidden International, C. A. had thirteen banking associations at August 31, 1965:

Banca d'America e d'Italia	Milan, Italy
Banque de Bruxelles	Bruges, Belgium
Chase Manhattan Bank	Frankfurt, Germany
Chase Manhattan Bank	Panama City, Panama
Banco de Comercio	Mexico City, Mexico
Banco de Comercio	Caracas, Venezuela
Commerzbank	Dusseldorf, Germany
First National City Bank	Panama City, Panama
Banque Lambert	Brussels, Belgium
Union Commerce Bank	Cleveland, Ohio
First National City Bank	Brussels, Belgium
Banco de Bilbao	Madrid, Spain
(Banco de Commercio de (Baja, California, S.A.	(Tijuana, Baja, California, (Mexico

At the end of the fiscal year, a direct stock interest was held in the following companies:

Name	% of Interest	Net Book Cost
Consolidated		
Glidden Panama, S.A. (Panama)	100%	$ 20,000
Fabrica de Pinturas Glidden, S.A. (Panama)	100	25,000
General Paint Co. de Mexico, S.A. (Mexico)	100	246,356
Glidden Chemie GmbH (Germany)	100	250,000
Industrias Glidden de Espana, S.A. (Spain)	100	2,250
Glidden Iberica S.A. (Spain) (Held by: GICA 50%, IGESA 50%)	100	2,250
Total Consolidated		$545,856

VI. Other Major Functions and Items

D. Foreign Business (Cont'd)

Glidden International, C. A.

Name	% of Interest	Net Book Cost
Unconsolidated		
Glidden Curacao N.V. (Curacao)	100 %	$ 200
Industrias Glidden S.A. de C.V. (Mexico)	100	32,000
Ishihara Sangyo Kaisha Ltd. (Japan)	2.24	70,064
Pinturas Ecuatorianas S.A. and Distribuidora Americanas C.A. (Ecuador)	33-1/3	62,837
Pinturas Centro-Americanas (Costa Rica)	60	181,268
Pinturas Centro-Americanas (Guatemala)	64	307,472
Red V Coconut Products Ltd. (Philippines)	4	47,000
Sekisan Paint Mfg. Co. (Japan)	25	69,500
Glidden-Salchi S.p.A. (Italy)	51	1,005,000
Shave Holdings Limited (South Africa)	10	19,050
Galvanizadora Centro-Americana, S.A. (Guatemala)	45	270,000
Lackwerke Wulfing GmbH & Co. (Germany)	33-1/3	1,237,500
Plastikart, Ltd. (Costa Rica)	5	2,117
Compagnia Tecnica-Imprese Vernicia Tura S.p.A. (Italy)	51	245
		$ 3,304,253

(1) Glidden Panama, S.A. - Glidden International, C.A. held 1,000 shares representing 100% control. The company was operating as a paint branch and was carried at an investment cost of $20,000. The company earned $74,318 in 1965, compared with $59,783 in 1964. In addition to purchases from U.S. paint plants, the company is also supplied by a sister company, Fabrica de Pinturas Glidden, S.A.

(2) Fabrica de Pinturas Glidden, S.A. first started operations in 1964 supplying part of the paint needs of Glidden Panama, S.A. Glidden International, C.A. holds 1,250 shares of stock, representing 100% control. The retained profit of this company, after deduction of certain expenses (principally interest on its indebtedness to The Glidden Company) amounted to $45,207 in 1965, compared to $6,494 in 1964.

(3) General Paint Company de Mexico, S.A. - Glidden International, C.A. held all 50,000 issued and outstanding shares of stock of this company having a net book cost of $246,356. The company incurred a net loss of $7,580 in 1965, compared with a net loss of $8,963 in 1964. Deteriorating prices in the Mexican paint market, increased raw material prices, and a technical service fee arrangement with Industrias Glidden de Puerto Rico, Inc. contributed to the unfavorable results.

XI. Other Major Functions and Items

D. Foreign Business (Cont'd)

Glidden International, C. A.

(4) Glidden Chemie GmbH (Germany) - This German holding company was formed in fiscal 1961 to hold Glidden International's one-third interest in Lackwerke Wulfing GmbH & Co. Chemie's capitalization represented approximately one-fifth of its investment in Wulfing. The remainder of Chemie's investment in Wulfing originally was financed through loans from Glidden International, C.A. but in April 1963, $444,037 of this financing was transferred to Industrias Glidden de Puerto Rico, Inc. In fiscal 1964, the then-remaining financing of $356,000 was transferred to Glidden Panama, S.A. and an additional $150,000 financing was extended to Chemie by Glidden Panama.

(5) Industrias Glidden de Espana, S.A. (Spain) - This inactive manufacturing subsidiary was formed in May, 1965 for future expansion of frit operations into Spain and Portugal. All 20 shares of outstanding common stock are held by Glidden International, C.A. at a value of $2,250. The extent of its operations at August 31, 1965 was to hold a 50% interest in Glidden Iberica, S.A.

(6) Glidden Iberica, S.A. (Spain) - This company was formed in May, 1965 primarily to market frit in Spain and Portugal. Glidden International, C.A. holds 10 shares (50% of shares issued and outstanding) at a value of $1,125. The remaining 10 shares are held by Industrias Glidden de Espana, S.A. and also at a value of $1,125. Operations of this company were consolidated with Pemco-Bruges branch of Glidden International, C.A.

(7) Glidden Curacao N.V. - Glidden International,C.A. held all twenty shares of the outstanding stock of this company with a net book cost of $200. The company was used in 1962 to recieve technical service fees from Group Developments, Ltd. of England. It currently is holding $25,000 from British Paints as deferred technical service fees pending outcome of the Ford Development work. In fiscal 1965 technical service fees of $182 were also recieved from British Paints.

(8) Industrias Glidden S.A. de C. V. (Mexico) - Glidden International held all 20,000 outstanding shares and this investment was carried at its cost of $32,000. This corporate entity has never assumed an operating status. Shareholders' equity at August 31, 1965 totaled $33,985.

(9) Ishihara Songyo Kaisha, Ltd. (Japan) - At August 31, 1965 Glidden International, C.A. held 1,345,222 shares of this company's stock, a 2.24% interest. These shares are carried at a net cost of $70,064, the cost of an allotment of 504,458 shares acquired on November 1, 1962. The shares now held had a market value at August 28, 1965 of $302,675. A dividend of $14,873 was recieved by Glidden International, C.A. in 1965.

VI. Other Major Functions and Items

D. Foreign Business (Cont'd)

Glidden International, C. A.

(10) Pinturas Ecuatorianas S.A. and Distribuidora Americanas C.A. (Ecuador) - Glidden International, C.A. holds a combined 320 shares representing a one-third interest in both companies at a cost of $62,837. At August 31, 1965, Glidden International's share of stockholder equity was approximately $38,729, with no dividend being received during fiscal 1965.

(11) Pinturas Centro-Americanas Costa Rica, Ltda. - On November 25, 1964 Glidden International, C.A. purchased an additional twenty shares of common stock of the company, resulting in a sixty per cent ownership at a cost of $181,268. International's share of equity at August 31, 1965 aggregated $238,741. At August 31, 1965, Pintica had a loan of $17,500 from Glidden International, C.A.

(12) Pinturas Centro-Americanas (Guatemala) - During 1965, an additional twenty shares of common stock were subscribed to by a third party which resulted in Glidden International's interest becoming 64.0% at year end 1965 as follows:

	Number of Shares		GICA Net
	GICA	Others	Book Cost
August 31, 1964	640	340	$307,472
Additional Stock subscription by third parties	-	20	-
	640	360	$307,472

Glidden International's share of shareholder equity at August 31, 1965 (on an August 31, 1965 ownership basis) was $574,502.

(13) Red V Coconut Products Ltd. (Philippines) - Glidden International, C.A. held 1,200 shares, a 4% interest, at August 31, 1965. The investment was recorded at our cost of $47,000. International's share of the stockholders' equity at December 31, 1964 was $46,966.

(14) Sekisan Paint Mfg. Co. (Japan) - Glidden International, C.A acquired 50,000 shares of common stock, a 25% interest from Sekisan on November 29, 1962. The stock was received in exchange for technical service income and has been recorded at no cost. On February 8, 1965, Glidden International, C.A. purchased an additional 50,000 shares of common stock at a cost of $69,500 in order to maintain its 25% interest. At March 31, 1965 Glidden International's equity was $168,395.

VI. Other Major Functions and Items

D. Foreign Business - (Cont'd)

Industrias Glidden de Puerto Rico, Inc.

Other comments concerning Industrias Glidden de Puerto Rico, Inc. may be found on Page 40.

Sales of Industrias in 1965 amounted to $4,605,741 and net profits were $(63,420). Operating results of years before 1964 were reported with those of Glidden International, C.A. Operations of Industrias' three active subsidiaries, Trans-Caribe Supply Company, Reliable Water Heater and P.R. Obra, Inc. were consolidated initially during fiscal 1965. Consolidated net sales and net profit were as follows:

Net Sales (Amounts in thousands)	1965	1964
Puerto Rican Paint Branches	$1,779 *	$1,638
Trans-Caribe Supply	2,203	1,581 - (b)
Reliable Water Heater	195	207 - (b)
P. R. Obra	429	(a)
	$4,606	$3,426

* Net of intercompany sales to P. R. Obra

Net Profit (after foreign income taxes)		
Puerto Rican Paint Branches	$ 106	$ 125
Trans-Caribe Supply	48	51 - (b)
Reliable Water Heater	(129)	1 - (b)
P. R. Obra	(90)	(a)
Industrias Headquarters	2	4
	$ (63)	$ 181

(a) - Company acquired during fiscal 1965
(b) - Not consolidated at August 31, 1964

Industrias Glidden funds have been provided from borrowings from related companies. At August 31, 1965, the following were borrowings outstanding:

The Glidden Company	
To Industrias Glidden de Puerto Rico	$ 2,487,500
To Trans-Caribe Supply Company	700,000
To Reliable Water Heater Manufacturing Co.	100,000
	$ 3,287,500

Industrias Glidden de Puerto Rico, Inc. had three banking associations at August 31, 1965:

First National City Bank	Hato Rey, Puerto Rico
Union Commerce Bank	Cleveland, Ohio
Royal Bank of Canada	Hato Rey, Puerto Rico

As mentioned earlier, Industrias had 100% ownership of Trans-Caribe Supply Company, Reliable Water Heater Manufacturing Company, and P. R. Obra, Inc. The stock of Trans-Caribe Supply and Reliable Water Heater was carried at no net book value, whereas P.R. Obra reprsents a $47,000 investment on Industrias' books.

VI. Other Major Functions and Items

D. Foreign Business (Cont'd)

Glidden International, C.A.

(15) Glidden-Salchi S.p.A. (Italy) - As of May 31, 1963, Glidden International, C.A. acquired 13,995 shares of stock for 51% interest in this Italian paint manufacturing plant. The investment was recorded at its cost of $1,005,000. International's share of stockholders' equity at August 31, 1965 was approximately $335,599, excluding audit adjustments pending final report from Arthur Andersen in Milan. The financial statements of this company have not been consolidated with those of Glidden International, C.A.

(16) Shave Holdings Limited (South Africa) - In July 1963, Glidden International, C.A. received 44,600 shares of this company (10%) ownership as down payment under terms of a technical service agreement. In fiscal 1964, International recognized as cost of these shares a 9% withholding tax payment amounting to $19,050 on a dividend paid in December, 1963. At June 30, 1964 Glidden International's equity was $186,043. 1965 equity not available.

(17) Galvanizadora Centro-Americana S.A. (Guatemala) - Late in fiscal 1964, for cash and notes, Glidden International, C.A. purchased 2,700 shares of this company (45%). With Japanese technical know-how and machinery, a hot-dip sheet steel galvanizing plant has been erected and operations have begun in September, 1965.

(18) Lackwerke Wulfing GmbH & Co. (Germany) - Glidden International, through Glidden Chemie, holds a one-third interest in this company. In 1964, additional equity capital of $150,000 was invested in Wulfing, bringing International's total investment to $1,237,500. Glidden Chemie share of partnership equity at August 31, 1965 was $1,155,756. The difference between equity and net investment cost was occasioned by side payments to the Wulfing family for the excess of fair value over book value of assets, goodwill, and agreement not to compete. Chemie's share of the understatement of fixed assets was calculated to be $250,000.

(19) Plastikart, Ltd. (Costa Rica) - On June 25, 1965, Glidden International purchased ten shares for $2,117 which represents 5% interest. Ninety percent of the outstanding shares are held by Pinturas Centro-Americanas Costa Rica, Ltda. which gives Glidden International a controlling interest. The company manufactures and sells fibre glass reinforced plastic products. At August 31, 1965, Glidden International's share of equity was $2,189.

(20) Compagnia Tecnica-Imprese Verniciatura, S.p.A., (C.T.I.V.E.R.) (Italy) - This company was formed December 30, 1964 to perform industrial and maintenance painting services on a contract basis. Glidden International holds 51 shares of common stock or a 51% interest. On March 12, 1965, $245 was invested by Glidden International, whose share of equity at March 31, 1965 was $(16,904).

VI. Other Major Functions and Items

E. Miscellaneous

Cost of the Annual Report this year was 30 cents each which was 4 cents more than last year. However, our Annual Report costs remain lower than companies of comparable size. Our 1964 Annual Report was judged first in the Paint and Coatings Industry by Financial World.

D. E. ERSKINE

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