

GRAHAM-NEWMAN CORPORATION
122 EAST 42ND STREET
NEW YORK 17, N. Y.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF GRAHAM-NEWMAN CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Graham-Newman Corporation will be held at the office of the Corporation at 122 East 42nd Street, New York, N.Y., on Monday, April 8, 1957, at 2:00 P.M., for the following purposes:

- (1) To elect five Directors to hold office until the Annual Meeting of Stockholders next ensuing after their election and until their successors shall have been elected and shall have qualified or until the dissolution of the corporation, whichever occurs first.
- (2) To consider and vote upon a proposal to ratify the selection of Messrs. Stern, Porter, Kingston & Coleman as auditors of the Corporation for the Corporation's fiscal year ending January 31, 1958.
- (3) To transact such other business as may properly come before the meeting of any adjournment or adjournments thereof.

There will be laid before the meeting the Annual Report of the Corporation, including financial statements for the fiscal year ending January 31st, 1957, in the form in which it was mailed to the Stockholders of the Corporation on February 25, 1957. Stockholders will not be called upon to take any action in connection with the said Annual report. The minute book of the Corporation, containing the minutes of all meetings of the Board of Directors since the last Annual Meeting of Stockholders, will be available at the meeting for inspection.

The stock transfer books of the Corporation will not be closed, but in lieu thereof, the Board of Directors has fixed the close of business on March 15, 1957, as the record date for the determination of stockholders entitled to notice of, and to vote, at the meeting.

Each stockholder who does not expect to attend in person is requested promptly to date, fill in, sign and return the enclosed Form of Proxy. This Proxy is solicited on behalf of the Management of the Company.

By Order of the Board of Directors.

New York, N. Y.
March 15, 1957.

DOUGLAS NEWMAN
Secretary

PLEASE SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY. A SELF-ADDRESSED STAMPED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

PROXY STATEMENT

Annual Meeting of Stockholders

GRAHAM-NEWMAN CORPORATION

to be held April 8, 1957

This statement is furnished in connection with a solicitation by the management of Graham-Newman Corporation (hereinafter called the "Corporation") of proxies to be used at the Annual Meeting of Stockholders of the Corporation to be held at 2:00 P.M. on Monday, April 8, 1957 at the Office of the Corporation, 122 East 42nd Street, in the City of New York, N. Y., for the purpose set forth in the accompanying Notice of Annual Meeting of Stockholders.

An Annual Report of the Corporation was mailed to Stockholders on February 25, 1957. This report included financial statements for the fiscal year ended January 31, 1957. Such report is not to be incorporated in this Proxy Statement by reference and is not to be deemed to be a part of the proxy soliciting material.

At the close of business on March 15, 1957, there were 4,855 shares of capital stock of the Corporation outstanding. Each of such shares held of record on March 15, 1957 is entitled to one vote.

If the enclosed Form of Proxy is executed and returned, it may, nevertheless, be revoked at any time in so far as it has not been exercised.

A. Election of Directors.

Five Directors are to be elected, each to hold office until the annual meeting of Stockholders next ensuing after his election and until his successor shall have been elected and shall have qualified or until the dissolution of the Corporation, whichever occurs first. It is the intention of the persons named in the enclosed Form of Proxy to nominate and vote such proxy for the election of the following persons, all of whom are candidates for re-election.

Benjamin Graham	Robert J. Marony
Jerome A. Newman	David L. Dodd
Howard A. Newman	

In the event of the inability of any of such nominees to accept nomination or election, it is the intention of the persons named in the enclosed Form of Proxy to vote such proxy for the election of such other person as Director as they may in their discretion determine.

The By-Laws provide that the Board of Directors shall consist of five members and may be increased to not more than nine. The number of Directors now has been fixed at five.

B. Information about Nominees for Election as Directors.

<u>Names</u>	<u>Principal Occupation or Employment</u>	<u>Served continuously as a Director Since</u>	<u>Number of Shares Graham-Newman Corporation Common Stock Beneficially Owned Directly and/or Indirectly on February 15, 1957</u>	
Benjamin Graham	Chairman of Board of Directors, Graham-Newman Corp.	1936	(1)(3)	84
Jerome A. Newman	President Graham-Newman Corp.	1936	(2)(3)	None
Robert J. Marony	Director, Chicago Milwaukee, St. Paul & Pacific RR	1936	(3)	None
David L. Dodd	Professor of Finance, Columbia University	1944	(4)(3)	41
Howard A. Newman	President, Phila. and Reading Corp. and Vice President, Graham-Newman Corp.	1952	(3)	4

- (1) Mrs. Graham owns 12 shares.
- (2) Mrs. Newman owns 159 shares.
- (3) Partners in a firm that owns 289 shares.
- (4) Mrs. Dodd owns 56 shares.

C. Remuneration and other Transactions with Directors, Nominees, Officers and Others

<u>Name of Individual</u>	<u>Capacity in which Remuneration was Received</u>	<u>Salaries for Fiscal Year ended Jan. 31, 1957</u>	<u>Shares in Profits</u>	<u>Pension Retirement and Similar Payments</u>
Benjamin Graham	Chairman of Board of Directors, Graham-Newman Corp.	To August 31, 1956 \$7500.	\$35,226.43(1)	None
Jerome A. Newman	President Graham-Newman Corp.	\$25,000	\$53,458.13(2)	None
Howard A. Newman	Vice-President and Treasurer, Graham-Newman Corp.	To March 31, 1956 \$4,166.67	\$44,960.76(3)	None

No other Director or Officer of the Graham-Newman Corporation received remuneration in excess of \$25,000, for the fiscal year ending January 31, 1957.

All persons, as a group, who were Directors or Officers of the Corporation:

Salaries of Directors and Officers as such	\$ 43,733.31	
Additional compensation based on profits	133,645.32	
	<u>\$177,378.63</u>	(4)

- (1) Of this amount \$35,226.43 is payable after January 31, 1957. Total amount shown is \$46,452.80 less than that received in the previous fiscal year.
- (2) Of this amount \$53,458.13 is payable after January 31, 1957. Total amount shown is \$28,221.10 less than that received in previous fiscal year.
- (3) Of this amount \$44,960.76 is payable after January 31, 1957. Total amount shown is \$19,514.76 more than that received in previous fiscal year.
- (4) Represents decrease of \$95,008.16 over preceding year.

D. Selection of Independent Public Accountants.

Pursuant to the Investment Company Act of 1940, those members of the Board of Directors of the Corporation who are not officers or employees thereof have selected Messrs. Stern, Porter, Kingston & Coleman as the firm of independent public accountants to Audit the accounts and to report on the financial statements of the Corporation for or during the year ended January 31, 1958. This firm has been the independent

public accountants for the Corporation since January 31, 1939. This selection will be submitted for ratification or rejection at the Annual Meeting.

E. Liquidation

On August 20th, 1956, the stockholders voted the liquidation and dissolution of the Corporation within one year of that date. Liquidating dividends of \$760.62 per share have been paid to stockholders. It is contemplated that the liquidation will be completed by August 1957.

F. Other Matters

The management knows of no other matters which are to be brought before the meeting. However, if any other matters, not now known or determined, properly come before the meeting, it is the intention of the persons named in the enclosed Form of Proxy to vote such proxy in accordance with their judgment on such matter.

All proxies received will be voted in accordance with the instructions and specifications contained therein, as regard selection of auditors and other matters.

G. Expenses

The cost of preparing, assembling and mailing material in connection with this solicitation of proxies will be borne by the Corporation, and will not exceed \$150.

Very truly yours,

JEROME A. NEWMAN
President

March 15, 1957.

GRAHAM-NEWMAN CORPORATION

122 EAST 42ND STREET

NEW YORK 17, N. Y.

February 25, 1957

TO THE STOCKHOLDERS OF GRAHAM-NEWMAN CORPORATION:

Submitted herewith are financial statements of the Corporation covering the fiscal year ended January 31, 1957.

On August 20, 1956 the stockholders voted to dissolve the corporation within one year from that date. Therefore, these figures include the period of liquidation from August 20, 1956 to January 31, 1957.

The appended Balance Sheet indicates a net asset value of \$165.66 per share after deducting the liquidating dividend voted January 28, 1957 and paid on February 11, 1957.

The overall profit for the year exclusive of the provision for liquidation expenses, was \$56.48 per share.

The indicated net asset value on February 15, 1957 after giving effect to the aforementioned dividend, was approximately \$165.70 per share.

The auditor's report sets forth total dividends and dividends per share paid during the fiscal year.

It is anticipated that final distribution in liquidation will be made in accordance with the resolution adopted at the special meeting.

The proxy statement for the Annual Meeting of Stockholders, which will be held on April 8, 1957, will be mailed to the stockholders on or about March 15, 1957.

By order of the Board of Directors,

Benjamin Graham,
Chairman of the Board

Jerome A. Newman,
President

BOARD OF DIRECTORS

David L. Dodd
Benjamin Graham

Robert J. Marony
Howard A. Newman
Jerome A. Newman

11 West 42nd Street, New York 36, N. Y.
OXFORD 5-3660

To the Board of Directors and Stockholders
of Graham-Newman Corporation:

We have examined the Balance Sheet of Graham-Newman Corporation as at January 31, 1957 and the related statements of Profit and Loss, and Changes in Net Assets for the fiscal year then ended. 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 as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and related statements of Profit and Loss and Changes in Net Assets, as supplemented by the notes appended thereto, present fairly the financial position of Graham-Newman Corporation as at January 31, 1957 and the results of its operations for the fiscal year then ended, and except for the change noted in Note A-3 of the Notes to Financial Statements in respect of expenses incurred subsequent to August 31, 1956, which change has our approval, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Stern Porter Kingston & Coleman
STERN, PORTER, KINGSTON & COLEMAN
Certified Public Accountants

New York, N. Y.
February 14, 1957.

GRAHAM-NEWMAN
NEW
B A L A N C E
JANUARY 31,

A S S E T S

CASH		\$ 186,812.03
DEPOSIT WITH BROKER		416,227.59
INVESTMENTS IN SECURITIES-AT MARKET VALUE (Note B) (Cost \$809,920.69)		931,646.62
OTHER ASSETS		
Dividends receivable	\$ 62.50	
Interest accrued on bonds	250.00	
Sundry receivables	1,984.80	
Furniture and fixtures	<u>4,137.15</u>	6,434.45

\$1,541,120.69

LI A B I L I T I E S A N D C A P I T A L

THIRD LIQUIDATING DISTRIBUTION PAYABLE	\$	194,200.00
(\$40.00 per share on 4,855 shares declared January 28, 1957; payable February 11, 1957)		
SECURITIES SHORT-AT COVER VALUE (Note B)		371,673.00
(net proceeds of sale \$339,577.24)		
SUNDRY PAYABLES AND ACCRUALS		6,683.47
DUE TO OFFICERS (Note C)		
for additional compensation-on basis of realized net income for the four fiscal years ended January 31, 1956		
	\$	396,321.96
less-amounted deposited with Manufacturers Trust Co. with instructions to pay when due		
	396,321.96	-
(payable in installments 1957-1960)		
PROVISION FOR ADDITIONAL COMPENSATION SUBSEQUENT TO JANUARY 31, 1956 (Note C)		
on basis of realized net income to January 31, 1957		
	133,645.32	
on basis of increase in unrealized appreciation subsequent to January 31, 1948		
	9,627.66	
(payable in five equal annual installments- 1957 to 1961)		
	143,272.98	
PROVISION FOR LIQUIDATION EXPENSES (unexpended balance) (Note A)		21,028.15
NET ASSETS APPLICABLE TO CAPITAL STOCK (after providing for third liquidating distribution as above)		804,263.09
Capital Stock:		
Authorized and issued-		
5,000 shares of no par value		
	stated value \$500.00 per share (\$2,500,000)	
Less-retired - 145 shares (\$72,500)		
Outstanding -4,855 shares	2,427,500.00	
Capital Surplus	1,401,271.37	
Earned Surplus	588,322.99	
Total	4,417,094.36	
Less-Liquidating distributions	3,692,833.78	
Balance-Net Assets before including unrealized appreciation of investments	724,260.58	
Add-Unrealized appreciation of investments-after deducting provision for related additional contingent compensation of officers	80,002.51	
Total (equivalent to - on 4,855 shares outstand- ing - after deducting liquidating distribution of \$40.00 per share payable February 11, 1957 - \$165.66 per share)	\$ 804,263.09	
		<u>\$1,541,120.69</u>

GRAHAM-NEWMAN CORPORATION
 NEW YORK
 PROFIT AND LOSS STATEMENT
 FOR THE FISCAL YEAR ENDED JANUARY 31, 1957

STATEMENT OF INCOME AND EXPENSES

(excluding gain or loss on investments)

Income			
Dividends		\$ 36,258.50	
Less-Dividends paid on short securities		<u>17,191.25</u>	\$ 19,067.25
Interest on investments			7,195.47
Share of net income of Graham-Newman Corporation Liquidating Trust (excluding gain or loss on investments) (Note F)			<u>3,089.60</u>
Total			29,352.32
Expenses (Notes A(3) and F)			
Salaries of officers		28,750.00	
Office salaries		7,914.74	
Executive committee fees		1,666.64	
Directors' fees		400.00	
Rent and light		2,014.81	
Taxes (other than Federal income tax)		3,105.04	
Legal and auditing		3,500.00	
Custodian fees		1,068.89	
Interest		1,234.39	
General expenses		3,157.57	
Depreciation		<u>906.97</u>	
Total expenses (exclusive of additional compensation of officers)			<u>53,719.05</u>
Net Loss (excluding gain or loss on investments-before deducting additional compensation of officers and provision for Federal income tax)			(24,366.73)
NET REALIZED GAIN ON INVESTMENTS (Note F)			
Amount realized		4,596,431.48	
Cost		<u>3,801,064.04</u>	
Gain			795,367.44
Add-Share of net realized gain on investments of Graham-Newman Corporation Liquidating Trust (Note F)		63,467.60	<u>858,835.04</u>
NET INCOME (before deducting provision for additional compensation of officers and provision for Federal income tax)			834,468.31
DEDUCT			
Provision for additional compensation of officers (Note C)		133,645.32	
Provision for Federal income tax (Note D)		<u>None</u>	<u>133,645.32</u>
NET INCOME FOR PERIOD			700,822.99
DEDUCT-DECREASE IN UNREALIZED APPRECIATION			
At January 31, 1957		\$ 89,630.17	
At January 31, 1956		<u>617,233.09</u>	(527,602.92)
Less-Reduction in related additional contingent compensation of officers (Note C)			<u>(109,167.24)</u> <u>(418,435.68)</u>
"OVER ALL" NET INCOME FOR PERIOD (Notes A(3) and F)			<u>\$282,387.31</u>

GRAHAM-NEWMAN CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1957

		<u>Per share</u>
NET ASSETS AT JANUARY 31, 1956 (5,000 shares issued and outstanding)	\$4,458,062.98(1)	\$891.61
NET INCOME FOR YEAR		
Loss for year-excluding gain or loss on investments (before deducting addi- tional compensation of officers) \$(24,366.73)		
Net realized gain on sales of investments	858,835.04	
Total	<u>834,468.31</u>	
Deduct-Additional compensation of officers (Note C)	<u>133,645.32</u>	
Net Income for year	700,822.99	140.17
DEDUCT		
Decrease in unrealized appreciation of investments (527,602.92)		
Less-Reduction in related additional contingent compensation of officers (Note C) (<u>109,167.24</u>)	(418,435.68)	(83.69)
Provision for liquidation expenses(Note A)	<u>(50,000.00)</u>	<u>(10.00)</u>
Dividend paid June 14, 1956 \$12.50 per share	4,690,450.29	938.09
	<u>62,500.00</u>	<u>12.50</u>
	4,627,950.29	<u>925.59</u>
Capital Stock redeemed-July 6,1956 to Oct.5,1956 (Note E) (145 shares)	<u>130,853.42</u>	<u>902.44</u>
Balance (applicable to 4,855 shares)	4,497,096.87	926.28(2)
Liquidating distributions (on 4,855 shares):		
	<u>per share</u>	
September 19, 1956	\$620.625	\$3,013,133.78
October 25, 1956	100.	485,500.00
February 11, 1957	40.	194,200.00
(declared Jan.28,1957)		
Total	<u>\$760.625</u>	<u>3,692,833.78</u>
		<u>760.62(2)</u>
BALANCE-NET ASSETS AT JANUARY 31, 1957 (after deducting liquidating distribution declared January 28, 1957-payable February 11, 1957 - \$40.00 per share)	\$ <u>804,263.09</u>	\$ <u>165.66(2)</u>

(1) Net assets at January 31, 1956, after deducting final dividend for the fiscal year then ended - paid March 12, 1956, viz: \$950,850 (\$190.17 per share)

(2) Computed on basis of 4,855 shares outstanding (after retirement of 145 shares)

GRAHAM-NEWMAN CORPORATION
ANALYSIS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1957

	T O T A L	CAPITAL STOCK	CAPITAL SURPLUS	EARNED SURPLUS	UNREALIZED APPRECIATION (Net*)
NET ASSETS AT JANUARY 31, 1956	\$4,458,062.98	\$2,500,000.00	\$1,459,624.79	\$ -0-	\$498,438.19*
ADD - Net income for year	\$700,822.99			700,822.99	
DEDUCT					
Decrease in unrealized appreciation (net*)	(418,435.68)				(418,435.68)*
Provision for liquidation expenses	(50,000.00)			(50,000.00)	
	232,387.31				
BALANCE	4,690,450.29	2,500,000.00	1,459,624.79	650,822.99	80,002.51*
DEDUCT					
Dividend paid (June 14, 1956)	62,500.00			62,500.00	
Capital stock retired (145 shares)	130,853.42	72,500.00	58,353.42		
	193,353.42				
BALANCE	4,497,096.87	<u>2,427,500.00</u>	<u>\$1,401,271.37</u>	<u>\$588,322.99</u>	<u>80,002.51*</u>
Capital Stock		2,427,500.00			
Capital Surplus		1,401,271.37			
Earned Surplus		<u>588,322.99</u>			
Total		4,417,094.36			80,002.51*
DEDUCT - Liquidating distributions	<u>3,692,833.78</u>	<u>3,692,833.78</u>			
BALANCE-NET ASSETS AT JANUARY 31, 1957	<u>\$ 804,263.09</u>	<u>\$ 724,260.58</u>			<u>\$ 80,002.51*</u>

*Unrealized appreciation as shown herein represents the amounts applicable to the outstanding capital stock, after deducting the related additional contingent compensation of officers.

GRAHAM-NEWMAN CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 31, 1957

NOTE A - LIQUIDATION AND DISSOLUTION OF THE CORPORATION

1 - Liquidation and Dissolution

At June 28, 1956 the directors voted to recommend liquidation and dissolution of the corporation, and at a special meeting of stockholders on August 20, 1956 it was voted to liquidate and dissolve the corporation, such liquidation to be completed within twelve months thereafter.

2 - Graham-Newman Corporation Liquidating Trust

At June 28, 1956 certain not readily marketable securities were transferred to Manufacturers Trust Company and Jerome A. Newman, as trustees. The trust was designated as Graham-Newman Corporation Liquidating Trust, and trust certificates were issued to the corporation in exchange for the assets transferred. The total number of certificates received was 5,000 (being the equivalent of one certificate for each share of stock), of which 130 certificates were distributed in connection with the retirement of 130 shares of capital stock (see #4 below) and 4,870 certificates are presently held by the corporation.

3 - Provision for Liquidation Expenses

The management determined to set up a Provision for Liquidation Expenses in the amount of \$50,000 (equivalent to \$10.00 per share), and further, to consider all expenses incurred subsequent to August 31, 1956 as liquidation expenses and chargeable to this Provision. The Provision has accordingly been charged with expenses incurred during the period September 1, 1956 to January 31, 1957 for rent, salaries and other expenses of a character which would ordinarily, in the case of a continuing business, be chargeable to Income, in the aggregate amount of \$26,152.21. At January 31, 1957 the unexpended balance of the Provision was \$21,028.15. Whether this amount is excessive or insufficient is not presently determinable.

4 - Retirement of Stock

Between July 6, 1956 and October 5, 1956, 145 shares of Capital Stock were tendered by stockholders and retired. As part of the amount paid in redemption of 130 shares the retiring stockholders received Graham-Newman Corporation Liquidating Trust certificates on the basis of one certificate for each share tendered.

5 - Liquidating Distributions

Liquidating distributions have been made to January 31, 1957 totalling \$720.62⁵ per share (on 4,855 shares outstanding, after providing for the retirement of 145 shares noted hereinabove), as follows:

	<u>Per share</u>	<u>Amount</u>
At September 19, 1956	\$620.62 ⁵	\$3,013,133.78
" October 25, 1956	<u>100.00</u>	<u>485,500.00</u>
total distributions to January 31, 1957	720.62 ⁵	3,498,633.78
to which is to be added a third liquidating distribution, declared January 28, 1957 and payable February 11, 1957	<u>40.00</u>	<u>194,200.00</u>
Total	<u>\$760.62⁵</u>	<u>\$3,692,833.78</u>

GRAHAM-NEWMAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE A - LIQUIDATION AND DISSOLUTION OF THE CORPORATION (Continued)

5 - Liquidating Distributions (continued)

The distribution at September 19, 1956 is represented by (a) \$400.00 per share, plus (b) distribution in kind-to those stockholders who elected to take-of 10 shares Philadelphia & Reading Corporation stock for each share of Graham-Newman Corporation stock- (valued at the average price on the New York Stock Exchange on September 5th, 6th and 7th, 1956-subsequently determined to be 22-1/16, equivalent for the 10 shares of the distributed stock to \$220.62⁵) - or in the alternative, to those stockholders not exercising this option, of the equivalent amount in cash, viz: \$220.62⁵ per share.

NOTE B - VALUATION OF INVESTMENTS-UNREALIZED APPRECIATION OF INVESTMENTS

Investments have been evaluated at their quoted market values as at January 31, 1957, except as noted below. These valuations are not, however, intended as representations of the amounts which may be actually realizable upon sale of the securities.

The unrealized appreciation at January 31, 1957 is represented as follows:

	<u>Ledger Value</u>	<u>Value at Jan. 31, 1957</u>	<u>Unrealized Appreciation</u>
Investments in securities	\$338,944.31	\$364,250.00	\$ 25,305.69
Certificates of interest in Graham- Newman Corporation Liquidating Trust (4,870 certificates)	<u>470,976.38</u>	<u>567,396.62</u>	<u>96,420.24</u>
Total	809,920.69	931,646.62	121,725.93
Securities short (a)	<u>(339,577.24)</u>	<u>(371,673.00)</u>	<u>(32,095.76)</u>
Net securities position	<u>\$470,343.45</u>	<u>\$559,973.62</u>	
Unrealized appreciation at January 31, 1957			<u>\$ 89,630.17</u>

(a) securities short are stated at amount realized on sale, cover value and indicated loss.

The unrealized appreciation at the beginning of the year, the decrease for the year, and the unrealized appreciation at the close thereof, together with the related additional contingent compensation of officers (Note C) and the balance applicable to the outstanding capital stock in respect of each of these items, were as follows:

	<u>Total Unrealized Appreciation</u>	<u>Deduct- Related Additional Contingent Compensation of officers</u>	<u>Balance of Unrealized Appreciation applicable to Capital Stock</u>
At January 31, 1956	\$617,233.09	\$118,794.90	\$498,438.19
Decrease for year	<u>527,602.92</u>	<u>109,167.24</u>	<u>418,435.68</u>
At January 31, 1957	<u>\$ 89,630.17</u>	<u>\$ 9,627.66</u>	<u>\$ 80,002.51</u>

GRAHAM-NEWMAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE B - VALUATION OF INVESTMENTS-UNREALIZED APPRECIATION OF INVESTMENTS
(Continued)

The investment in Graham-Newman Corporation Liquidating Trust certificates has been evaluated on the basis of the net assets in the Trust - securities having been evaluated on the basis of their market values as at January 31, 1957, except for an investment in respect of which the company has a put option exercisable at June 28, 1957, which has been evaluated at its present value as at January 31, 1957 (\$241,951) on the basis of the option price, and an investment for which no market quotation was obtainable which has been evaluated at cost (\$441.00).

NOTE C - COMPENSATION OF OFFICERS

Salaries were paid to the officers during the year as follows: to the chairman of the board \$7,500; to the president \$25,000; to the vice-president (and former treasurer) \$4,166.67 and to his successor as treasurer \$5,000, a total of \$41,666.67, of which \$28,750 was applicable to the period ended August 31, 1956, and has been charged to income, and the balance, viz: \$12,916.67, applicable to the period subsequent to August 31, 1956, has been charged to the provision for liquidation expenses. (see Note A). The salary of the chairman of the board was reduced at April 1, 1956 at his request from \$15,000 to \$12,000 per year, and was terminated, also at his request, at August 31, 1956. The salary of the vice-president (and former treasurer) was terminated, at his request, at March 31, 1956. The salary of his successor as treasurer became effective at April 1, 1956.

Additional compensation is payable to the first three of the above named officers, as a group, of 20% of the excess of the realized net income in each year, as determined at the close thereof (less the net unrealized depreciation, if any, in the value of investments at the year end which had accrued subsequent to January 31, 1948) - over an amount equivalent to \$40.00 per share per annum (\$10.00 per share per quarter) on the outstanding capital stock - such additional compensation, however, being limited (upon a cumulative basis from and after February 1, 1948) to 25% of the excess of dividends paid during this period over the amount of the exclusion above noted. For the purpose of computing this limitation, the "final dividend" in respect of any fiscal year, which is in fact declared and paid subsequent to the close of the year, is considered as having been paid in the prior year. The additional compensation is payable in five equal installments within sixty days after the close of the respective years, but payment of deferred installments may be accelerated at the discretion of the directors.

The balance of accrued and unpaid additional compensation at February 28, 1956 (after payment at February 15, 1956 of the installments then due) for the four fiscal years ended January 31, 1956 was \$396,321.96, which amount will become payable in annual installments in the early part (within 60 days of the close of the respective fiscal years) of 1957 to 1960. Pursuant to resolution of the board of directors at a meeting held June 28, 1956 this amount was on July 9, 1956 deposited with Manufacturers Trust Co. in a special account with instructions to pay to the respective officers (or to their executors, administrators or assigns) on February 1st

GRAHAM-NEWMAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE C - COMPENSATION OF OFFICERS (Continued)

of each of these years (1957 to 1960) the amounts which would become payable to them on these dates.

In the event of the death of any officer who was or might be entitled to additional compensation, or upon the termination of his tenure of office, the additional compensation due him was to be determined upon the basis of the value of investments (including unrealized appreciation or depreciation) as at the date of such event.

However, the directors at a meeting held August 21, 1956 determined that, in view of the pending liquidation of the company, the additional compensation accruing from and after February 1, 1956 would in no event be greater than the amount thereof as computed on the basis of the net assets as at August 31, 1956; that no additional compensation would be payable in respect of any subsequent appreciation and that in the event of a subsequent shrinkage in assets upon final liquidation, the amount of additional compensation would be subject to downward revision. The amount of additional compensation upon the basis of August 31, 1956 asset values, and therefore the maximum amount payable in respect of additional compensation accruing from and after February 1, 1956 has been determined at \$143,272.98. This additional compensation (subject to possible downward adjustment as hereinabove noted) will be payable in five equal annual installments, the first of which is to be made at the date of the final liquidating distribution to stockholders.

Of the above amount, \$133,645.32 is applicable to realized net income, and the balance, viz: \$9,627.66, to unrealized appreciation. For the purpose of determining the base upon which the additional compensation applicable to realized net income is computed, deduction has been taken from income of the amount set up as provision for liquidation expenses (\$50,000).

NOTE D - TAX STATUS

The corporation has elected to be taxed as a "regulated investment company" under the internal revenue code, and as such will be liable for Federal income taxes only on the amount of its undistributed net long term capital gain (less its net short term capital loss, if any) and its undistributed net income from other sources. The corporation has during the year made liquidating distributions, and will likewise in the future make further liquidating distributions, in an amount which will absorb the total net income reportable for Federal tax purposes in each of the above categories. No provision has therefore been made for Federal income tax, either in respect of the realized net income for the year or in respect of unrealized appreciation at the close thereof.

GRAHAM-NEWMAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE E - REDEMPTION OF CAPITAL STOCK

There were tendered to the corporation between July 6, 1956 and October 5, 1956 - 145 shares which were redeemed for \$130,853.42, representing an average of \$902.44 per share. In connection with such redemptions, distributions were made in kind - (to those stockholders who elected to receive these securities) - 130 certificates of interest of Graham Newman Corporation Liquidating Trust, and 250 shares Philadelphia & Reading Corporation stock.

NOTE F - PROFIT AND LOSS ITEMS

The expenses for the year as shown in the Profit and Loss statement herein represent the expenses incurred to August 31, 1956 only, the expenses incurred subsequent to that date having been considered as liquidation expenses, and charged to the Provision for Liquidation Expenses. (see Note A(3)).

The share of the income and capital gains of Graham-Newman Corporation Liquidating Trust allocable to the certificates of interest owned by the company have been reflected in the statement.

The net realized gain on investments as shown in the statement includes the excess of the amounts at which securities which were distributed to stockholders in kind were evaluated when distributed, over their cost, these amounts being (1) as to 32,920 shares Philadelphia & Reading Corporation distributed as part of the first liquidating distribution at September 19, 1956 - \$311,139.26; (2) as to 250 shares Philadelphia & Reading Corporation distributed as part of the redemption price of the company's stock - \$1,791.05, and (3) as to 130 certificates of interest of Graham-Newman Liquidating Trust distributed as part of the redemption price of the company's stock \$3,128.23.

NOTE G - SUPPLEMENTARY INFORMATION

The aggregate amount of purchases and sales of investment securities, other than United States Government obligations, made during the year were as follows:

Cost of securities purchased	\$ 298,930.54
Proceeds of sales of securities	3,690,063.32
During the year securities were distributed to stockholders in the amount of (evaluated as of dates of distribution)	752,221.32

GRAHAM-NEWMAN CORPORATION

NEW YORK

INVESTMENTS IN SECURITIES

JANUARY 31, 1957

No. of
Shares
(or face
amount)

SECURITIES LONG

1,000	American Airlines, Inc. 3½% Cumulative Convertible Preferred	\$102,000.00
900	American Cyanamid Co. 3-3/4% Convertible Preferred "C"	129,600.00
100 M.	Dow Chemical Co. Convertible Subordinated Debentures 3/82	129,500.00
70	Thermoid Co. \$2.50 Cumulative Convertible Preferred	<u>3,150.00</u>
	Total	364,250.00
4,870	Graham-Newman Corporation Liquidation Trust-Certificates of Interest	<u>567,396.62</u>
	Total	<u>\$931,646.62</u>

SECURITIES SHORT

4,800	American Airlines, Inc.	\$ 99,000.00
1,900	American Cyanamid Co.	137,750.00
2,184	Dow Chemical Co.	130,767.00
350	Thermoid Co.	<u>4,156.00</u>
	Total	<u>\$371,673.00</u>

GRAHAM-NEWMAN CORPORATION LIQUIDATION TRUST

NEW YORK

SCHEDULE OF NET ASSETS

JANUARY 31, 1957

No. of Shares (or face amount)		
<u>INVESTMENTS ON SECURITIES</u>		
1,100	Arkansas Fuel Oil Corporation	\$ 40,012.00
	2-64/154 Brooklyn & Richmond Ferry Co. Inc.	441.00 ^(a)
4,100	C.N.I. Liquidating Corporation	16,400.00
2,500	Carman & Co. Inc.	225.00
1,100	Cleveland Worsted Mills Company	172,150.00
5,000	Consolidated Liquidating Corp.	3,125.00
3,405	Engineers Public Company Stubs	409.00
1,100	Houston Oil Co. of Texas	4,400.00
1,800	Kalamazoo Stove & Furnace Company	2,475.00
25	Laundry & Cleaner Supply Corp.	1,125.00
80	McCrary Stores Corp. 3½% Cumu- lative Convertible Preferred	5,720.00
400	National Presto Industries, Inc.	4,100.00
1019 M.	New York, New Haven & Hartford Certificates of Beneficial Interest	241,951.00 ^(b)
600	Publicker Industries, Inc.	5,250.00
37 M.	Standard Coil Products, Inc. 5% Convertible subordinated debentures-12/1/67	<u>27,010.00</u>
		524,793.00
	<u>CASH - MANUFACTURERS TRUST CO.</u>	57,441.40
	<u>ACCRUED INTEREST RECEIVABLE</u>	<u>308.33</u>
	<u>TOTAL</u> - represented by 5,000 Cer- tificates of Interest	<u>\$582,542.73</u>
	<u>SHARE OF NET ASSETS</u> -applicable to Certificates owned by Graham- Newman Corporation - 4,870 Certificates	<u>\$567,396.62</u>

(a) Evaluated at cost (no market quotation obtainable)

(b) Evaluated on basis of put option-see Note B

GRAHAM-NEWMAN CORPORATION

122 EAST 42ND STREET
NEW YORK 17. N. Y.

February 25, 1957

TO THE STOCKHOLDERS OF GRAHAM-NEWMAN CORPORATION:

Submitted herewith are financial statements of the Corporation covering the fiscal year ended January 31, 1957.

On August 20, 1956 the stockholders voted to dissolve the corporation within one year from that date. Therefore, these figures include the period of liquidation from August 20, 1956 to January 31, 1957.

The appended Balance Sheet indicates a net asset value of \$165.66 per share after deducting the liquidating dividend voted January 28, 1957 and paid on February 11, 1957.

The overall profit for the year exclusive of the provision for liquidation expenses, was \$56.48 per share.

The indicated net asset value on February 15, 1957 after giving effect to the aforementioned dividend, was approximately \$165.70 per share.

The auditor's report sets forth total dividends and dividends per share paid during the fiscal year.

It is anticipated that final distribution in liquidation will be made in accordance with the resolution adopted at the special meeting.

The proxy statement for the Annual Meeting of Stockholders, which will be held on April 8, 1957, will be mailed to the stockholders on or about March 15, 1957.

By order of the Board of Directors,

Benjamin Graham,
Chairman of the Board

Jerome A. Newman,
President

BOARD OF DIRECTORS

David L. Dodd
Benjamin Graham

Robert J. Marony
Howard A. Newman

Jerome A. Newman


11 West 42nd Street, New York 36, N. Y.

OXFORD 5-3660

To the Board of Directors and Stockholders
of Graham-Newman Corporation:

We have examined the Balance Sheet of Graham-Newman Corporation as at January 31, 1957 and the related statements of Profit and Loss, and Changes in Net Assets for the fiscal year then ended. 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 as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and related statements of Profit and Loss and Changes in Net Assets, as supplemented by the notes appended thereto, present fairly the financial position of Graham-Newman Corporation as at January 31, 1957 and the results of its operations for the fiscal year then ended, and except for the change noted in Note A-3 of the Notes to Financial Statements in respect of expenses incurred subsequent to August 31, 1956, which change has our approval, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


STERN, PORTER, KINGSTON & COLEMAN
Certified Public Accountants

New York, N. Y.
February 14, 1957.

GRAHAM-NEWMAN
NEW
BALANCE
JANUARY 31,

A S S E T S

CASH		\$ 186,812.03
DEPOSIT WITH BROKER		416,227.59
INVESTMENTS IN SECURITIES-AT MARKET VALUE (Note B) (Cost \$809,920.69)		931,646.62
OTHER ASSETS		
Dividends receivable	\$ 62.50	
Interest accrued on bonds	250.00	
Sundry receivables	1,984.80	
Furniture and fixtures	<u>4,137.15</u>	6,434.45

\$1,541,120.69

LI A B I L I T I E S A N D C A P I T A L

THIRD LIQUIDATING DISTRIBUTION PAYABLE		\$ 194,200.00
(\$40.00 per share on 4,855 shares declared January 28, 1957; payable February 11, 1957)		
SECURITIES SHORT-AT COVER VALUE (Note B)		371,673.00
(net proceeds of sale \$339,577.24)		
SUNDRY PAYABLES AND ACCRUALS		6,683.47
DUE TO OFFICERS (Note C)		
for additional compensation-on basis of realized net income for the four fiscal years ended January 31, 1956		
	\$ 396,321.96	
less-amounted deposited with Manufacturers Trust Co. with instructions to pay when due		
	396,321.96	
		-
PROVISION FOR ADDITIONAL COMPENSATION SUBSEQUENT TO JANUARY 31, 1956 (Note C)		
on basis of realized net income to January 31, 1957		
	133,645.32	
on basis of increase in unrealized appreciation subsequent to January 31, 1948		
	9,627.66	
(payable in five equal annual installments- 1957 to 1961)		
		143,272.98
PROVISION FOR LIQUIDATION EXPENSES (unexpended balance) (Note A)		21,028.15
NET ASSETS APPLICABLE TO CAPITAL STOCK (after providing for third liquidating distribution as above)		804,263.09
Capital Stock:		
Authorized and issued-		
5,000 shares of no par value		
stated value \$500.00 per share (\$2,500,000)		
Less-retired - 145 shares (\$72,500)		
Outstanding -4,855 shares	2,427,500.00	
Capital Surplus	1,401,271.37	
Earned Surplus	588,322.99	
Total	<u>4,417,094.36</u>	
Less-Liquidating distributions	<u>3,692,833.78</u>	
Balance-Net Assets before including unrealized appreciation of investments	724,260.58	
Add-Unrealized appreciation of investments-after deducting provision for related additional contingent compensation of officers	<u>80,002.51</u>	
Total (equivalent to - on 4,855 shares outstand- ing, - after deducting liquidating distribution of \$40.00 per share payable February 11, 1957 - \$165.66 per share)	<u>\$ 804,263.09</u>	
		<u>\$1,541,120.69</u>

GRAHAM-NEWMAN CORPORATION
NEW YORK
PROFIT AND LOSS STATEMENT
FOR THE FISCAL YEAR ENDED JANUARY 31, 1957

STATEMENT OF INCOME AND EXPENSES

(excluding gain or loss on investments)

Income			
Dividends		\$ 36,258.50	
Less-Dividends paid on short securities		<u>17,191.25</u>	\$ 19,067.25
Interest on investments			7,195.47
Share of net income of Graham-Newman Corporation Liquidating Trust (excluding gain or loss on investments) (Note F)			<u>3,089.60</u>
Total			<u>29,352.32</u>
Expenses (Notes A(3) and F)			
Salaries of officers		28,750.00	
Office salaries		7,914.74	
Executive committee fees		1,666.64	
Directors' fees		400.00	
Rent and light		2,014.81	
Taxes (other than Federal income tax)		3,105.04	
Legal and auditing		3,500.00	
Custodian fees		1,068.89	
Interest		1,234.39	
General expenses		3,157.57	
Depreciation		<u>906.97</u>	
Total expenses (exclusive of additional compensation of officers)			<u>53,719.05</u>
Net Loss (excluding gain or loss on investments-before deducting additional compensation of officers and provision for Federal income tax)			(24,366.73)
NET REALIZED GAIN ON INVESTMENTS (Note F)			
Amount realized		4,596,431.48	
Cost		<u>3,801,064.04</u>	
Gain			795,367.44
Add-Share of net realized gain on investments of Graham-Newman Corporation Liquidating Trust (Note F)			<u>63,467.60</u>
			<u>858,835.04</u>
NET INCOME (before deducting provision for additional compensation of officers and provision for Federal income tax)			834,468.31
DEDUCT			
Provision for additional compensation of officers (Note C)		133,645.32	
Provision for Federal income tax (Note D)		<u>None</u>	<u>133,645.32</u>
NET INCOME FOR PERIOD			700,822.99
DEDUCT-DECREASE IN UNREALIZED APPRECIATION			
At January 31, 1957		\$ 89,630.17	
At January 31, 1956		<u>617,233.09</u>	(527,602.92)
Less-Reduction in related additional contingent compensation of officers (Note C)			<u>(109,167.24)</u> (418,435.68)
"OVER ALL" NET INCOME FOR PERIOD (Notes A(3) and F)			<u>\$282,387.31</u>

GRAHAM-NEWMAN CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1957

		<u>Per share</u>
NET ASSETS AT JANUARY 31, 1956 (5,000 shares issued and outstanding)	\$4,458,062.98(1)	\$891.61
NET INCOME FOR YEAR		
Loss for year-excluding gain or loss on investments (before deducting addi- tional compensation of officers) \$(24,366.73)		
Net realized gain on sales of investments	<u>858,835.04</u>	
Total	<u>834,468.31</u>	
Deduct-Additional compensation of officers (Note C)	<u>133,645.32</u>	
Net Income for year	700,822.99	140.17
DEDUCT		
Decrease in unrealized appreciation of investments (527,602.92)		
Less-Reduction in related additional contingent compensation of officers (Note C) (109,167.24)	(418,435.68)	(83.69)
Provision for liquidation expenses(Note A)	(50,000.00)	(10.00)
	4,690,450.29	938.09
Dividend paid June 14, 1956 \$12.50 per share	<u>62,500.00</u>	<u>12.50</u>
	4,627,950.29	<u>925.59</u>
Capital Stock redeemed-July 6,1956 to Oct.5,1956 (Note E) (145 shares)	<u>130,853.42</u>	<u>902.44</u>
Balance (applicable to 4,855 shares)	4,497,096.87	926.28(2)
Liquidating distributions (on 4,855 shares):		
	<u>per share</u>	
September 19, 1956 \$620.625	\$3,013,133.78	
October 25, 1956 100.	485,500.00	
February 11, 1957 40.	194,200.00	
(declared Jan.28,1957)	<u> </u>	
Total	<u>\$760.625</u>	<u>3,692,833.78</u>
		<u>760.62(2)</u>
BALANCE-NET ASSETS AT JANUARY 31, 1957 (after deducting liquidating distribution declared January 28, 1957-payable February 11, 1957 - \$40.00 per share)	\$ <u>804,263.09</u>	\$ <u>165.66(2)</u>

(1) Net assets at January 31, 1956, after deducting final dividend for the fiscal year then ended - paid March 12, 1956, viz: \$950,850 (\$190.17 per share)

(2) Computed on basis of 4,855 shares outstanding (after retirement of 145 shares)

GRAHAM-NEWMAN CORPORATION
ANALYSIS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JANUARY 31, 1957

	T O T A L	CAPITAL STOCK	CAPITAL SURPLUS	EARNED SURPLUS	UNREALIZED APPRECIATION (Net*)
NET ASSETS AT JANUARY 31, 1956	\$4,458,062.98	\$2,500,000.00	\$1,459,624.79	\$ -0-	\$498,438.19*
ADD - Net income for year	\$700,822.99			700,822.99	
DEDUCT					
Decrease in unrealized appreciation (net*)	(418,435.68)				(418,435.68)*
Provision for liquidation expenses	(50,000.00)			(50,000.00)	
	232,387.31				
BALANCE	4,690,450.29	2,500,000.00	1,459,624.79	650,822.99	80,002.51*
DEDUCT					
Dividend paid (June 14, 1956)	62,500.00			62,500.00	
Capital stock retired (145 shares)	130,853.42	72,500.00	58,353.42		
	193,353.42				
BALANCE	4,497,096.87	<u>2,427,500.00</u>	<u>\$1,401,271.37</u>	<u>\$588,322.99</u>	<u>80,002.51*</u>
Capital Stock		2,427,500.00			
Capital Surplus		1,401,271.37			
Earned Surplus		<u>588,322.99</u>			
Total		4,417,094.36			80,002.51*
DEDUCT - Liquidating distributions	<u>3,692,833.78</u>	<u>3,692,833.78</u>			
BALANCE-NET ASSETS AT JANUARY 31, 1957	<u>\$ 804,263.09</u>	<u>\$ 724,260.58</u>			<u>\$ 80,002.51*</u>

*Unrealized appreciation as shown herein represents the amounts applicable to the outstanding capital stock, after deducting the related additional contingent compensation of officers.

GRAHAM-NEWMAN CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 JANUARY 31, 1957

NOTE A - LIQUIDATION AND DISSOLUTION OF THE CORPORATION

1 - Liquidation and Dissolution

At June 28, 1956 the directors voted to recommend liquidation and dissolution of the corporation, and at a special meeting of stockholders on August 20, 1956 it was voted to liquidate and dissolve the corporation, such liquidation to be completed within twelve months thereafter.

2 - Graham-Newman Corporation Liquidating Trust

At June 28, 1956 certain not readily marketable securities were transferred to Manufacturers Trust Company and Jerome A. Newman, as trustees. The trust was designated as Graham-Newman Corporation Liquidating Trust, and trust certificates were issued to the corporation in exchange for the assets transferred. The total number of certificates received was 5,000 (being the equivalent of one certificate for each share of stock), of which 130 certificates were distributed in connection with the retirement of 130 shares of capital stock (see #4 below) and 4,870 certificates are presently held by the corporation.

3 - Provision for Liquidation Expenses

The management determined to set up a Provision for Liquidation Expenses in the amount of \$50,000 (equivalent to \$10.00 per share), and further, to consider all expenses incurred subsequent to August 31, 1956 as liquidation expenses and chargeable to this Provision. The Provision has accordingly been charged with expenses incurred during the period September 1, 1956 to January 31, 1957 for rent, salaries and other expenses of a character which would ordinarily, in the case of a continuing business, be chargeable to Income, in the aggregate amount of \$26,152.21. At January 31, 1957 the unexpended balance of the Provision was \$21,028.15. Whether this amount is excessive or insufficient is not presently determinable.

4 - Retirement of Stock

Between July 6, 1956 and October 5, 1956, 145 shares of Capital Stock were tendered by stockholders and retired. As part of the amount paid in redemption of 130 shares the retiring stockholders received Graham-Newman Corporation Liquidating Trust certificates on the basis of one certificate for each share tendered.

5 - Liquidating Distributions

Liquidating distributions have been made to January 31, 1957 totalling \$720.62⁵ per share (on 4,855 shares outstanding, after providing for the retirement of 145 shares noted hereinabove), as follows:

	<u>Per share</u>	<u>Amount</u>
At September 19, 1956	\$620.62 ⁵	\$3,013,133.78
" October 25, 1956	<u>100.00</u>	<u>485,500.00</u>
total distributions to January 31, 1957	720.62 ⁵	3,498,633.78
to which is to be added a third liquidating distribution, declared January 28, 1957 and payable February 11, 1957	<u>40.00</u>	<u>194,200.00</u>
Total	<u>\$760.62⁵</u>	<u>\$3,692,833.78</u>

GRAHAM-NEWMAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE A - LIQUIDATION AND DISSOLUTION OF THE CORPORATION (Continued)

5 - Liquidating Distributions (continued)

The distribution at September 19, 1956 is represented by (a) \$400.00 per share, plus (b) distribution in kind to those stockholders who elected to take-of 10 shares Philadelphia & Reading Corporation stock for each share of Graham-Newman Corporation stock (valued at the average price on the New York Stock Exchange on September 5th, 6th and 7th, 1956-subsequently determined to be 22-1/16, equivalent for the 10 shares of the distributed stock to \$220.62⁵) - or in the alternative, to those stockholders not exercising this option, of the equivalent amount in cash, viz: \$220.62⁵ per share.

NOTE B - VALUATION OF INVESTMENTS-UNREALIZED APPRECIATION OF INVESTMENTS

Investments have been evaluated at their quoted market values as at January 31, 1957, except as noted below. These valuations are not, however, intended as representations of the amounts which may be actually realizable upon sale of the securities.

The unrealized appreciation at January 31, 1957 is represented as follows:

	<u>Ledger Value</u>	<u>Value at Jan.31,1957</u>	<u>Unrealized Appreciation</u>
Investments in securities	\$338,944.31	\$364,250.00	\$ 25,305.69
Certificates of interest in Graham- Newman Corporation Liquidating Trust (4,870 certificates)	<u>470,976.38</u>	<u>567,396.62</u>	<u>96,420.24</u>
Total	809,920.69	931,646.62	121,725.93
Securities short (a)	<u>(339,577.24)</u>	<u>(371,673.00)</u>	<u>(32,095.76)</u>
Net securities position	<u>\$470,343.45</u>	<u>\$559,973.62</u>	
Unrealized appreciation at January 31, 1957			<u>\$ 89,630.17</u>

(a) securities short are stated at amount realized on sale, cover value and indicated loss.

The unrealized appreciation at the beginning of the year, the decrease for the year, and the unrealized appreciation at the close thereof, together with the related additional contingent compensation of officers (Note C) and the balance applicable to the outstanding capital stock in respect of each of these items, were as follows:

	<u>Total Unrealized Appreciation</u>	<u>Deduct- Related Additional Contingent Compensation of officers</u>	<u>Balance of Unrealized Appreciation applicable to Capital Stock</u>
At January 31, 1956	\$617,233.09	\$118,794.90	\$498,438.19
Decrease for year	<u>527,602.92</u>	<u>109,167.24</u>	<u>418,435.68</u>
At January 31, 1957	<u>\$ 89,630.17</u>	<u>\$ 9,627.66</u>	<u>\$ 80,002.51</u>

GRAHAM-NEWMAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE B - VALUATION OF INVESTMENTS-UNREALIZED APPRECIATION OF INVESTMENTS
(Continued)

The investment in Graham-Newman Corporation Liquidating Trust certificates has been evaluated on the basis of the net assets in the Trust - securities having been evaluated on the basis of their market values as at January 31, 1957, except for an investment in respect of which the company has a put option exercisable at June 28, 1957, which has been evaluated at its present value as at January 31, 1957 (\$241,951) on the basis of the option price, and an investment for which no market quotation was obtainable which has been evaluated at cost (\$441.00).

NOTE C - COMPENSATION OF OFFICERS

Salaries were paid to the officers during the year as follows: to the chairman of the board \$7,500; to the president \$25,000; to the vice-president (and former treasurer) \$4,166.67 and to his successor as treasurer \$5,000, a total of \$41,666.67, of which \$28,750 was applicable to the period ended August 31, 1956, and has been charged to income, and the balance, viz: \$12,916.67, applicable to the period subsequent to August 31, 1956, has been charged to the provision for liquidation expenses. (see Note A). The salary of the chairman of the board was reduced at April 1, 1956 at his request from \$15,000 to \$12,000 per year, and was terminated, also at his request, at August 31, 1956. The salary of the vice-president (and former treasurer) was terminated, at his request, at March 31, 1956. The salary of his successor as treasurer became effective at April 1, 1956.

Additional compensation is payable to the first three of the above named officers, as a group, of 20% of the excess of the realized net income in each year, as determined at the close thereof (less the net unrealized depreciation, if any, in the value of investments at the year end which had accrued subsequent to January 31, 1948) - over an amount equivalent to \$40.00 per share per annum (\$10.00 per share per quarter) on the outstanding capital stock - such additional compensation, however, being limited (upon a cumulative basis from and after February 1, 1948) to 25% of the excess of dividends paid during this period over the amount of the exclusion above noted. For the purpose of computing this limitation, the "final dividend" in respect of any fiscal year, which is in fact declared and paid subsequent to the close of the year, is considered as having been paid in the prior year. The additional compensation is payable in five equal installments within sixty days after the close of the respective years, but payment of deferred installments may be accelerated at the discretion of the directors.

The balance of accrued and unpaid additional compensation at February 28, 1956 (after payment at February 15, 1956 of the installments then due) for the four fiscal years ended January 31, 1956 was \$396,321.96, which amount will become payable in annual installments in the early part (within 60 days of the close of the respective fiscal years) of 1957 to 1960. Pursuant to resolution of the board of directors at a meeting held June 28, 1956 this amount was on July 9, 1956 deposited with Manufacturers Trust Co. in a special account with instructions to pay to the respective officers (or to their executors, administrators or assigns) on February 1st

GRAHAM-NEWMAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE C - COMPENSATION OF OFFICERS (Continued)

of each of these years (1957 to 1960) the amounts which would become payable to them on these dates.

In the event of the death of any officer who was or might be entitled to additional compensation, or upon the termination of his tenure of office, the additional compensation due him was to be determined upon the basis of the value of investments (including unrealized appreciation or depreciation) as at the date of such event.

However, the directors at a meeting held August 21, 1956 determined that, in view of the pending liquidation of the company, the additional compensation accruing from and after February 1, 1956 would in no event be greater than the amount thereof as computed on the basis of the net assets as at August 31, 1956; that no additional compensation would be payable in respect of any subsequent appreciation and that in the event of a subsequent shrinkage in assets upon final liquidation, the amount of additional compensation would be subject to downward revision. The amount of additional compensation upon the basis of August 31, 1956 asset values, and therefore the maximum amount payable in respect of additional compensation accruing from and after February 1, 1956 has been determined at \$143,272.98. This additional compensation (subject to possible downward adjustment as hereinabove noted) will be payable in five equal annual installments, the first of which is to be made at the date of the final liquidating distribution to stockholders.

Of the above amount, \$133,645.32 is applicable to realized net income, and the balance, viz: \$9,627.66, to unrealized appreciation. For the purpose of determining the base upon which the additional compensation applicable to realized net income is computed, deduction has been taken from income of the amount set up as provision for liquidation expenses (\$50,000).

NOTE D - TAX STATUS

The corporation has elected to be taxed as a "regulated investment company" under the internal revenue code, and as such will be liable for Federal income taxes only on the amount of its undistributed net long term capital gain (less its net short term capital loss, if any) and its undistributed net income from other sources. The corporation has during the year made liquidating distributions, and will likewise in the future make further liquidating distributions, in an amount which will absorb the total net income reportable for Federal tax purposes in each of the above categories. No provision has therefore been made for Federal income tax, either in respect of the realized net income for the year or in respect of unrealized appreciation at the close thereof.

GRAHAM-NEWMAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1957

(CONTINUED)

NOTE E - REDEMPTION OF CAPITAL STOCK

There were tendered to the corporation between July 6, 1956 and October 5, 1956 - 145 shares which were redeemed for \$130,853.42, representing an average of \$902.44 per share. In connection with such redemptions, distributions were made in kind - (to those stockholders who elected to receive these securities) - 130 certificates of interest of Graham Newman Corporation Liquidating Trust, and 250 shares Philadelphia & Reading Corporation stock.

NOTE F - PROFIT AND LOSS ITEMS

The expenses for the year as shown in the Profit and Loss statement herein represent the expenses incurred to August 31, 1956 only, the expenses incurred subsequent to that date having been considered as liquidation expenses, and charged to the Provision for Liquidation Expenses. (see Note A(3)).

The share of the income and capital gains of Graham-Newman Corporation Liquidating Trust allocable to the certificates of interest owned by the company have been reflected in the statement.

The net realized gain on investments as shown in the statement includes the excess of the amounts at which securities which were distributed to stockholders in kind were evaluated when distributed, over their cost, these amounts being (1) as to 32,920 shares Philadelphia & Reading Corporation distributed as part of the first liquidating distribution at September 19, 1956 - \$311,139.26; (2) as to 250 shares Philadelphia & Reading Corporation distributed as part of the redemption price of the company's stock - \$1,791.05, and (3) as to 130 certificates of interest of Graham-Newman Liquidating Trust distributed as part of the redemption price of the company's stock \$3,128.23.

NOTE G - SUPPLEMENTARY INFORMATION

The aggregate amount of purchases and sales of investment securities, other than United States Government obligations, made during the year were as follows:

Cost of securities purchased	\$ 298,930.54
Proceeds of sales of securities	3,690,063.32

During the year securities were distributed to stockholders in the amount of (evaluated as of dates of distribution)	752,221.32
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GRAHAM-NEWMAN CORPORATION

NEW YORK

INVESTMENTS IN SECURITIES

JANUARY 31, 1957

No. of
Shares
(or face
amount)

<u>SECURITIES LONG</u>		
1,000	American Airlines, Inc. 3½% Cumulative Convertible Preferred	\$102,000.00
900	American Cyanamid Co. 3-3/4% Convertible Preferred "C"	129,600.00
100 M.	Dow Chemical Co. Convertible Subordinated Debentures 3/82	129,500.00
70	Thermoid Co. \$2.50 Cumulative Convertible Preferred	<u>3,150.00</u>
	Total	364,250.00
4,870	Graham-Newman Corporation Liquidation Trust-Certificates of Interest	<u>567,396.62</u>
	Total	<u>\$931,646.62</u>
<u>SECURITIES SHORT</u>		
4,800	American Airlines, Inc.	\$ 99,000.00
1,900	American Cyanamid Co.	137,750.00
2,184	Dow Chemical Co.	130,767.00
350	Thermoid Co.	<u>4,156.00</u>
	Total	<u>\$371,673.00</u>

GRAHAM-NEWMAN CORPORATION LIQUIDATION TRUST

NEW YORK

SCHEDULE OF NET ASSETS

JANUARY 31, 1957

No. of
Shares
(or face
amount)

<u>INVESTMENTS ON SECURITIES</u>		
1,100	Arkansas Fuel Oil Corporation	\$ 40,012.00
	2-64/154 Brooklyn & Richmond Ferry Co. Inc.	441.00 (a)
4,100	C.N.I. Liquidating Corporation	16,400.00
2,500	Carman & Co. Inc.	225.00
1,100	Cleveland Worsted Mills Company	172,150.00
5,000	Consolidated Liquidating Corp.	3,125.00
3,405	Engineers Public Company Stubs	409.00
1,100	Houston Oil Co. of Texas	4,400.00
1,800	Kalamazoo Stove & Furnace Company	2,475.00
	25 Laundry & Cleaner Supply Corp.	1,125.00
	80 McCrory Stores Corp. 3½% Cumu- lative Convertible Preferred	5,720.00
400	National Presto Industries, Inc.	4,100.00
1019 M.	New York, New Haven & Hartford Certificates of Beneficial Interest	241,951.00 (b)
600	Publicker Industries, Inc.	5,250.00
37 M.	Standard Coil Products, Inc. 5% Convertible subordinated debentures-12/1/67	<u>27,010.00</u>
		524,793.00
	<u>CASH - MANUFACTURERS TRUST CO.</u>	57,441.40
	<u>ACCRUED INTEREST RECEIVABLE</u>	<u>308.33</u>
	<u>TOTAL</u> - represented by 5,000 Cer- tificates of Interest	<u>\$582,542.73</u>
	<u>SHARE OF NET ASSETS</u> -applicable to Certificates owned by Graham- Newman Corporation - 4,870 Certificates	<u>\$567,396.62</u>

(a) Evaluated at cost (no market quotation obtainable)

(b) Evaluated on basis of put option-see Note B