

**GRAHAM-NEWMAN CORPORATION**

400 Park Avenue  
New York 22, N.Y.

March 21, 1958

TO THE "STOCKHOLDERS OF GRAHAM-NEWMAN CORPORATION":

The Corporation has been dissolved. The Directors are acting as Trustees for the benefit of stockholders and we are pleased to enclose a copy of the report of the auditors for the year ending January 31, 1958, which shows an overall profit for the twelve months.

When the New Haven matter is disposed of, a final accounting will be made to you. Pending that, the assets will continue to be invested in short term Government obligations.

Jerome A. Newman

Benjamin Graham

Robert J. Marony

David L. Dodd

Howard A. Newman

Trustees


STERN, PORTER, KINGSTON & COLEMAN  
CERTIFIED PUBLIC ACCOUNTANTS

*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, 1958 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, 1958 and the results of its operations for the fiscal year then ended, 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.  
March 6, 1958

GRAHAM-NEWMAN  
(IN LIQUIDATION)  
B A L A N C E  
JANUARY 31,

A S S E T S

CASH \$ 37,033.39

UNITED STATES TREASURY BILLS 99,433.34  
due March 24, 1958  
(face amount \$100,000)

GRAHAM-NEWMAN CORPORATION LIQUIDATION TRUST CERTIFICATES 432,028.50  
(4,870 certificates-ledger value \$420,605.58)  
(Notes A and D)

\$568,495.23

LIABILITIES AND CAPITAL

SUNDRY PAYABLES AND ACCRUALS		\$ 2,550.00
DUE TO OFFICERS-for balance of additional compensation payable-on basis of realized net income for the three fiscal years ended January 31st 1954, 1955 and 1956 (Note B)	\$ 254,557.26	
Less-Amount on deposit with Manufacturers Trust Co. with instructions to pay installments as and when payable (at February 1st, 1958, 1959 and 1960)	<u>254,557.26</u>	-
PROVISION FOR ADDITIONAL CONTINGENT COMPENSATION for period subsequent to January 31, 1956 (Note B)		114,618.38
CONTINGENT LIABILITIES (Note E)		
NET ASSETS APPLICABLE TO CAPITAL STOCK (Note E)		451,326.85
Capital Stock:		
Authorized and issued-5,000 shares of no par value; stated value \$500.00 per share		
Less retired 145 shares		
Outstanding 4,855 shares	2,427,500.00	
Capital Surplus	1,401,271.37	
Earned Surplus	<u>692,366.34</u>	
Total	4,521,137.71	
Less Liquidating Distributions	<u>4,081,233.78</u>	
Balance-Net Assets before including unrealized appreciation of Graham-Newman Corporation Liquidation Trust certificates	439,903.93	
Unrealized appreciation	<u>11,422.92</u>	
Total	\$ <u>451,326.85</u>	
(equivalent to-on 4,855 shares-\$92.96 per share)		
		<u>\$568,495.23</u>

GRAHAM-NEWMAN CORPORATION  
(IN LIQUIDATION - NOTE A)

PROFIT AND LOSS STATEMENT

FOR THE FISCAL YEAR ENDED JANUARY 31, 1958

STATEMENT OF INCOME AND EXPENSES

(excluding gain or loss on investments)

Income			
Dividends		\$ 875.00	
Less-Dividends paid on short securities		<u>(2,510.40)</u>	\$ (1,635.40)
Interest on investments			2,972.23
Share of loss of Graham-Newman Corporation Liquidation Trust (excluding gain or loss on investments) (Note D)			<u>(3,757.58)</u>
Total			<u>(2,420.75)</u>
Expenses			
Salary of officer (Note B)		13,541.63	
Office salaries (including severance pay)		6,935.00	
Directors' fees		250.00	
Rent and light		1,508.02	
Taxes (other than Federal income tax)		1,111.05	
Legal and accounting		4,000.00	
General expense		940.26	
Depreciation		581.55	
Loss on abandonment of furniture and fixtures		<u>2,701.60</u>	
Total		31,569.11	
Deduct-Unabsorbed balance of provision for Liquidation expenses as at January 31, 1957 (Note D)		21,028.15	<u>10,540.96</u>
Net Loss (excluding gain or loss on investments) (before deducting provision for additional contingent compensation of officers and provision for Federal income tax)			(12,961.71)
NET REALIZED GAIN ON INVESTMENTS			
Amount realized		437,413.96	
Cost		<u>439,488.03</u>	
Loss		(2,074.07)	
Share of net realized gain on investments of Graham- Newman Corporation Liquidation Trust (Note D)		<u>128,706.79</u>	<u>126,632.72</u>
NET INCOME (before deducting provision for additional contingent compensation of officers and provision for Federal income tax)			113,671.01
DEDUCT			
Provision for additional contingent compensation of officers (Note B)		9,627.66	
Provision for Federal income tax (Note C)		<u>None</u>	<u>9,627.66</u>
NET INCOME FOR YEAR			104,043.35
DEDUCT-DECREASE IN UNREALIZED APPRECIATION			
At January 31, 1957		89,630.17	
At January 31, 1958		<u>11,422.92</u>	
Decrease		(78,207.25)	
Less reduction in related additional contingent compensation of officers (Note B)		<u>(9,627.66)</u>	<u>(68,579.59)</u>
OVER ALL NET INCOME FOR YEAR (Note E)			<u>\$ 35,463.76</u>

GRAHAM-NEWMAN CORPORATION  
(IN LIQUIDATION - NOTE A)

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JANUARY 31, 1958

		Per share (4,855 shares)
NET ASSETS AT JANUARY 31, 1957	\$804,263.09(a)	\$165.66
NET INCOME FOR YEAR		
Loss for year-excluding gain or loss on investments (before deducting additional compensation of officers) (Note D)	\$(12,961.71)	
Net realized gain on investments (Note D)	<u>126,632.72</u>	
Total	113,671.01	
Deduct-Additional contingent compensation of officers (Note B)	<u>9,627.66</u>	
Net Income for year	104,043.35	21.43
	908,306.44	187.09
DEDUCT		
Decrease in unrealized appreciation of investments	(78,207.25)	
Less reduction in related additional contingent compensation of officers (Note B)	<u>( 9,627.66)</u>	<u>(14.13)</u>
	839,726.85	172.96
Liquidating distribution May 24, 1957 - \$80.00 per share	<u>(388,400.00)</u>	<u>80.00</u>
BALANCE - NET ASSETS AT JANUARY 31, 1958	<u>\$451,326.85</u>	<u>\$ 92.96</u>

Represented by	At January 31, 1958	At January 31, 1957
Capital Stock	\$2,427,500.00	\$2,427,500.00
Capital Surplus	1,401,271.37	1,401,271.37
Earned Surplus - at January 31, 1957	\$588,322.99	588,322.99
Add - Net income for year	<u>104,043.35</u>	<u>692,366.34</u>
Total	4,521,137.71	4,417,094.36
Less-Liquidating distributions-to January 31, 1957 at May 24, 1957	3,692,833.78 <u>388,400.00</u>	3,692,833.78
Balance-Net Assets, before including unrealized appreciation of investments	439,903.93	724,260.58
Add-Unrealized appreciation of investments at January 31, 1957	80,002.51(b)	80,002.51(b)
Decrease for year	<u>(68,579.59)(b)</u>	<u>11,422.92</u>
Total - Net Assets	<u>\$ 451,326.85</u>	<u>\$ 804,263.09</u>

(a) after providing for third liquidating distribution (\$40.00 per share on 4,855 shares-\$194,200) declared January 28, 1957; paid February 11, 1957.

(b) represents the amount of unrealized appreciation applicable to the outstanding capital stock, after deducting the related additional contingent compensation of officers.

GRAHAM-NEWMAN CORPORATION LIQUIDATION TRUST

SUMMARY STATEMENTS

FOR THE PERIOD FEBRUARY 1, 1957 TO JANUARY 31, 1958

<u>OPERATIONS</u>	<u>TOTAL</u> <u>(5,000 certificates)</u>	<u>APPLICABLE TO</u> <u>CERTIFICATES OWNED</u> <u>BY GRAHAM-NEWMAN</u> <u>CORPORATION</u> <u>(4,870 certificates)</u>
Net Realized Gain on sales of securities	\$132,142.50	\$128,706.79
Other Income		
Dividends	\$ 1,240.00	
Interest	<u>5,024.97</u>	
Total	<u>6,264.97</u>	
Less-New York State franchise taxes 6,597.95*		
Legal expense 2,824.92		
Accounting <u>700.00</u>	<u>10,122.87</u>	<u>( 3,757.58)</u>
Total Net Income for period	<u>\$128,284.60</u>	<u>\$124,949.21</u>

\*includes tax on gains reported in prior year

SUMMARY STATEMENT for the period February 1, 1957 to January 31, 1958

Net Assets at January 31, 1957 (on basis of cost of securities)	\$483,548.64	\$470,976.37
Add-Realized net income for period, as above	<u>128,284.60</u>	<u>124,949.21</u>
Total	<u>611,833.24</u>	<u>595,925.58</u>
Deduct-Distributions to certificate holders:		
Feb. 6, 1957 \$11.00 per ctf. 55,000.00		
May 22, 1957 25.00 " " <u>125,000.00</u>	<u>180,000.00</u>	<u>175,320.00</u>
Balance-Net Assets at January 31, 1958		
on basis of cost of securities	<u>\$431,833.24</u>	<u>\$420,605.58</u>
on basis of market value (see below)	<u>\$443,561.09</u>	<u>\$432,028.50</u>

<u>ASSETS AT JANUARY 31, 1958</u>	<u>Cost</u>	<u>Value</u>
Cash-Manufacturers Trust Co.	\$ 99,929.84	\$ 99,929.84
U.S. Treasury Notes 2-7/8%-6/15/58	297,328.13	297,328.13
accrued interest thereon	1,078.12	1,078.12
Other securities		
1,100 shares Arkansas Fuel Oil Corp.	35,297.15	40,425.00
1,100 shares Cleveland Worsted Mills Co.	<u>-</u>	<u>6,600.00</u>
Total	433,633.24	445,361.09
Deduct-Provision for New York State Franchise tax	<u>1,800.00</u>	<u>1,800.00</u>
Net Assets at January 31, 1958	<u>\$431,833.24</u>	<u>\$443,561.09</u>
Per certificate (5,000 certificates)	<u>\$ 86.37</u>	<u>\$88.71</u>
Applicable to certificates owned by Graham-Newman Corporation (4,870 certificates)	\$420,605.58	\$432,028.50

GRAHAM-NEWMAN CORPORATION  
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1958

NOTE A - LIQUIDATION-DISSOLUTION-LIQUIDATING DISTRIBUTIONS

The company was dissolved on September 30, 1957 and is presently in the process of winding up its affairs. Liquidation and dissolution had been voted by the stockholders at a special meeting held August 20, 1956. At June 28, 1956 the company-in order to effect an orderly liquidation of certain not readily marketable securities-transferred certain securities to Manufacturers Trust Company and Jerome A. Newman as trustees, in exchange for 5,000 trust certificates (being the equivalent of one certificate for each share of stock then outstanding). The trust was designated Graham Newman Corporation Liquidation Trust, and is herein referred to as the "liquidation trust".

Between July 6, 1956 and October 5, 1956, 145 shares of the company's stock were tendered to the company and retired, leaving 4,855 outstanding-upon which liquidating distributions were made as noted below. Certain of these stockholders elected to take liquidation trust certificates in part payment of the redemption price of their stock, and 130 trust certificates were distributed to them, reducing the company's holding to 4,870 trust certificates.

Liquidating distributions have been made totalling \$840.62<sup>5</sup> per share (on 4,855 shares) of which \$760.62<sup>5</sup> per share were voted during the prior fiscal year (including the distribution of \$40 per share which was paid on February 11, 1957) and \$80 per share additional was paid at May 24, 1957.

By July 31, 1957 the company had disposed of all of its securities other than the liquidation trust certificates, and the liquidation trust had disposed of substantially all of its securities (retaining only two investments which had a then market value of \$85,800). At August 7, 1957 the directors voted-in view of the pending litigation in which the company had been named as one of the defendants (see Note E) to retain its then present assets until the company's liability, if any, shall have been finally determined.

At January 31, 1958, the assets of the company consisted solely of cash, short term United States Government obligations, and Graham Newman Corporation Liquidation Trust certificates. At that date the assets of Graham Newman Liquidation Trust consisted solely of cash, short term United States Government obligations, and two other investments having a market value of \$47,025.

NOTE B - COMPENSATION OF OFFICERS

The president was paid a salary at the rate of \$25,000 per annum for the period February 1, 1957 to August 15, 1957 (6-1/2 months).

The three principal executive officers (chairman of the board, president, and vice-president) were entitled, as a group, to additional compensation equivalent to 20% of the excess of the realized net income in each year (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 per share per annum (\$10 per share per quarter) on the outstanding capital stock-subject to certain limitations as noted in prior annual reports;-such additional annual compensation being payable in five equal annual installments-within sixty days after the close



GRAHAM-NEWMAN CORPORATION  
NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1958

(CONTINUED)

NOTE B - COMPENSATION OF OFFICERS (Continued)

of the respective fiscal years, but payment of deferred installments could be accelerated at the discretion of the directors.

The balance of the accrued additional compensation (in respect of the four fiscal years ended January 31, 1956) which remained unpaid at June 28, 1956, was, pursuant to resolution of the board of directors at a meeting on that date, deposited on July 9, 1956 with Manufacturers Trust Company in a special account with instructions to make payment to the respective officers (or to their executors, administrators or assigns) on February 1st of each year (1957 to 1960), as the respective installments became due and payable. The installment due on February 1, 1957 was paid. At January 31, 1958 the unpaid balance of additional compensation (being the unpaid installments of additional compensation accrued for the three fiscal years ended January 31, 1954-1955 and 1956) and likewise the amount on deposit with Manufacturers Trust Company to pay the same, amounted to \$254,557.26.

With respect to additional compensation accruable from February 1, 1956 to date of final liquidation, the directors at a meeting held August 21, 1956 determined that, in view of the then pending liquidation of the company, the additional compensation for such period would in no event be greater than the amount thereof as computed on the basis of the value of the net assets as at August 31, 1956; that accordingly no additional compensation would be payable in respect of any subsequent appreciation in value, and that, in the event of a subsequent shrinkage in value upon final liquidation, the amount of additional compensation for this period would be subject to downward revision. The amount of the additional compensation for the period February 1, 1956 to August 31, 1956, computed on the basis of asset values as at the latter date (after making provision as at that date in the amount of \$50,000 to cover liquidation expenses) has been determined at \$143,272.98. Of this amount there had been charged to income for the prior fiscal year-ended January 31, 1957- the sum of \$133,645.32 (computed on the basis of the realized net income for that year), leaving a balance of \$9,627.66 which has been charged against income for the current fiscal year.

The additional compensation in respect of the period subsequent to January 31, 1956 is payable in five annual installments. At August 7, 1957 the directors voted to make immediate payment of the first installment (computed on the basis of the maximum amount of additional compensation for the period as computed, viz \$143,272.98) in the amount of \$28,654.60, leaving a balance of \$114,618.38, which amount, in their opinion (in which we concur) is in excess of any downward adjustment in the amount of their additional compensation which would result from the most unfavorable determination in the pending litigation in which the company has been named as one of the defendants (see Note E). No further payments on account of additional compensation are to be made until the termination of this litigation. The balance of additional compensation, as then determined, will be payable in four installments, viz: as at the date of such final determination, and at February 1st of each of the three succeeding years.

GRAHAM-NEWMAN CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JANUARY 31, 1958  
(CONTINUED)

NOTE C - TAX STATUS

The corporation had in prior years elected to be taxed as a regulated investment company under the internal revenue code, and, as such, having distributed its entire net income in each year, either as dividends or as liquidating distributions, was not liable for Federal income tax in those years. The corporation, having been dissolved during the current fiscal year, is no longer, in the opinion of its counsel, a regulated investment company. By reason of the fact that gains on the sale of securities made within twelve months after the adoption of a plan of liquidation are not reportable as taxable income under the internal revenue code and that deduction may be taken for tax purposes of the amount paid during the year on account of officers' deferred additional compensation, the company will not be subject to Federal income tax in the current year. The statement herein includes certain income and gains, and unrealized appreciation as at the year end of the liquidating trust, which are not yet reportable for tax purposes, but which will be more than offset by the allowable deduction noted above. No provision has therefore been made in the statements herein for Federal income tax for the current year or in respect of the items referred to in the preceding sentence.

NOTE D - PROFIT AND LOSS ITEMS

The share of income (loss) and capital gains of Graham-Newman Corporation Liquidation Trust allocable to the trust certificates owned by the company have been incorporated in the Profit and Loss statement herein. The book carrying value of the company's investment in the trust certificates has been correspondingly increased.

In July 1956 the management had determined to set up a provision to cover liquidation expenses in the amount of \$50,000, and to charge thereto all expenses subsequent to August 31, 1956. The unexpended balance of this provision as at January 31, 1957 was \$21,028.15 which amount has been applied in the statements herein against the expenses incurred during the current year.

NOTE E - CONTINGENT LIABILITIES

An action has been commenced against certain directors of New York, New Haven & Hartford Railroad Company and a large group of other defendants who had transactions with that company, - in which suit Graham-Newman Corporation has been named as one of the defendants. The company had during 1955 purchased in the open market "certificates of beneficial interest" of the railroad company which, under a "put" option, it subsequently sold to the railroad company, realizing a total sum of \$512,610.83. The suit seeks to have this purchase contract by the railroad company declared null and void. The quoted market value of the "certificates of interest" at January 31, 1958 was approximately \$82,000. The company has been advised by its counsel that in their opinion the suit can be successfully defended. The amount of loss, if any, which may be sustained by the company is not presently determinable. No provision for loss or for expenses in connection with this litigation has been set up, nor has any adjustment in the amount of the provision for officers' additional contingent compensation been made in the statements herein.