

GRAHAM-NEWMAN CORPORATION

122 EAST 42ND STREET

NEW YORK 17, N. Y.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

to be held August 20th, 1956

To the Stockholders of

GRAHAM-NEWMAN CORPORATION:

NOTICE IS HEREBY GIVEN that a special meeting of the 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, August 20th, 1956 at 10:30 A.M. to take action on a proposition to liquidate and dissolve the Corporation.

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 July 30th, 1956 as the record date for the determination of stockholders entitled to notice 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.

By Order of the Board of Directors

Douglass Newman
Secretary

New York, N. Y.
July 30th, 1956.

STOCKHOLDERS ARE URGED TO FILL IN, SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED PROXY IN THE STAMPED, SELF-ADDRESSED ENVELOPE.

P R O X Y S T A T E M E N T

SPECIAL MEETING OF STOCKHOLDERS OF

GRAHAM-NEWMAN CORPORATION

This statement is furnished to stockholders of Graham-Newman Corporation in connection with the solicitation by the management of the Company of proxies for use at a Special Meeting of Stockholders to be held on August 20th, 1956, and at all adjournments of such meeting, for the purpose set forth in the accompanying Notice of Special Meeting of Stockholders.

As of June 30th the Company had 5,000 shares of capital stock outstanding. Up to July 20th, 82 shares had been tendered and paid for leaving 4,918 shares of capital stock outstanding. Each of such shares (less any redeemed up to the record date which has been set at the close of business July 30th, 1956) 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.

The Board of Directors has deemed it advisable to recommend the liquidation and dissolution of the corporation and has voted that a Special Meeting of Stockholders be convened for the purpose of voting upon such liquidation and dissolution. Their recommendation was prompted by the facts that Mr. Graham, who now lives in California, and Mr. Jerome A. Newman, the founders of the Corporation, do not choose to continue the management of a publicly owned investment company and Mr. Howard A. Newman, who is President of the Philadelphia and Reading Corporation, finds it impossible to direct the management of this Company as well as carry on his duties as President of the Philadelphia and Reading Corporation.

Management believes it in the interest of all stockholders to permit orderly liquidation of its securities and pro-rata distributions as fast as possible, to each stockholder. If liquidation is voted, then promptly thereafter there will be distributed to stockholders in excess of 50% of the net asset value of the stock, including at the stockholders' election, which will be requested later, either Philadelphia and Reading stock or the cash equivalent thereof as outlined further along in this communication. It is anticipated that the liquidation of the Corporation's assets will be completed in not more than one year from the date such liquidation is voted. We anticipate that additional substantial payments may be made within six months. As of July 13th, 1956, the approximate net asset value was \$915.72 per share after reserves for liquidating expense of \$10 per share. Appended hereto is the pertinent financial data of the corporation.

The Corporation's prospectus issued July 14th, 1948, provides

"To the extent at the time permitted by law, the corporation may redeem or purchase from its stockholders, shares of its own stock for not exceeding their proportionate interests in the properties of the corporation, or for not exceeding the cash equivalent of such proportionate interests, no value shall be ascribed to good will but indicated and unrealized profits and losses and accrued liabilities shall be taken into account. Any stockholder shall be entitled to redemption of his stock for its proportionate interest in the corporation's properties, or the cash liquidating equivalent thereof, such redemption or payment to be made not more than seven days after tender of such stock to the corporation."

The prospectus also provides under "Redemption Rights" - - a flat charge of \$1.50 per share is deducted from the net asset value to cover approximate brokerage commissions and transfer taxes incurred in the sale of the portfolio. Since there was an exchange of 1 share for 10 in April 1950, this charge becomes \$15 per share. This Right of Redemption and "the Redemption charge of \$15 per share" will continue right up to final liquidation. However the stockholder who does not tender his stock for redemption but retains it until final liquidation will not have any such charge made against his pro-rata interest in the Corporation assets.

The portfolio contained some slow moving securities. These have been turned over to the Manufacturers Trust Company and Jerome A. Newman as co-trustees solely for the purpose of liquidation; these securities had an approximate market value of \$795,000 on June 29th, 1956. To the extent tenders of Graham-Newman shares are made for redemption, assignments of the Corporation's interest in the trusted securities will be made in the ratio of 1/5000 interest therein for each share of Graham-Newman stock tendered. It is anticipated that the Trustees of the Liquidation Trust will make distributions of cash at the earliest moments after a reasonable amount of securities has been liquidated.

The Corporation has one substantial holding that permits distribution "in kind". A stockholder, at his option, may receive either 10 shares of Philadelphia and Reading Corporation for each share of Graham-Newman or the market price equivalent in cash, (where cash is preferred, stock may be sold on the New York Stock Exchange or at the market price to Messrs. Graham & Newman and Associates or others) as a partial distribution of his pro-rata interest in the entire portfolio. Attention is directed to the fact that electing to receive such stock in lieu of cash is the same as purchasing it at the market. A stockholder who tenders and does not elect to have such stock, will in effect be selling his share of Philadelphia and Reading stock at the market. No recommendation is made as to the advisability of electing to take the Philadelphia and Reading stock in lieu of cash.

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 matters.

All proxies received will be voted in accordance with the instructions and specifications contained therein.

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 \$500.

On the proposition to be acted upon, the Stock Corporation Law requires a vote, cast in person or by proxy, of the holders of record of two-thirds of the outstanding shares of the Corporation entitled to vote thereon. It is important that your vote be cast.

If you cannot attend the meeting please fill in, execute and return the enclosed proxy in the stamped envelope provided. Your cooperation in giving this matter your immediate attention will be appreciated.

By Order of the Board of Directors.

Douglass Newman
Secretary

New York, N. Y.
July 30th, 1956

GRAHAM-NEWMAN
NEW
BALANCE
JANUARY 31,
(on basis of quoted
of securities)

A S S E T S

CASH		\$ 213,220.88
DIVIDENDS RECEIVABLE	\$ 1,962.50	
INTEREST RECEIVABLE	<u>2,784.15</u>	4,746.65
ACCOUNTS RECEIVABLE		
For securities sold	None	
Brokers	571,854.36	
Other	<u>3,632.87</u>	575,487.23
INVESTMENTS IN SECURITIES OF UNAFFILIATED ISSUERS (Note A)		
United States Treasury Bills due March 8-April 5, 1956- at cost	745,298.00	
Securities of other investment companies	None	
Other securities (cost \$4,488,996.99)	<u>5,128,177.00</u>	5,873,475.00
<u>INVESTMENTS IN AFFILIATES-NOT CONTROLLED</u>		None
FURNITURE AND FIXTURES	11,631.25	
Provision for depreciation	<u>5,939.33</u>	5,691.92
		<u>\$6,672,621.68</u>

The comments contained in the accompanying Notes to Financial Statements are an integral part of this statement and should be read in conjunction therewith.

CORPORATION
YORK
SHEET
1956
market values
at that date)

LIABILITIES AND CAPITAL

FINAL DIVIDEND FOR FISCAL YEAR ENDED JANUARY 31, 1956 (declared February 16, 1956 payable March 12, 1956)	\$ 950,850.00
SECURITIES SHORT AT COVER VALUE (net proceeds of sales \$493,724.08)	515,671.00
ACCOUNTS PAYABLE AND ACCRUALS	
For securities purchased	\$ 47,475.00
Officers' compensation payable:	
payable currently	169,907.80
payable in annual installments (1957-1960)	396,321.96
Other	<u>15,538.04</u>
<u>Total Liabilities</u>	<u>629,242.80</u>
PROVISION FOR ADDITIONAL CONTINGENT COMPENSATION OF OFFICERS (on increase in unrealized appreciation of investments subsequent to January 31, 1948) (Notes A and B)	118,794.90
NET ASSETS APPLICABLE TO OUTSTANDING CAPITAL SHARES (equivalent to \$891.61 per share)	4,458,062.98
Represented by:	
Capital shares-authorized, issued and outstanding-5,000 shares of no par value stated value \$500.00 per share	2,500,000.00
Capital Surplus	1,459,624.79
Accumulated net realized gain on investments	881,273.63
Unrealized appreciation of investments (after deducting provision for related additional contingent compensation of officers) (Note A)	498,438.19
Total Capital	<u>5,339,336.61</u>
Balance of Undistributed Income	<u>(881,273.63)</u>
Total, as above	<u>4,458,062.98</u>
	<u>\$6,672,621.68</u>

NOTES

Capital Stock issued or repurchased during year	\$ <u>None</u>
Dividend distributions from date of organization (February 8, 1936)	
paid out of Capital Surplus	1,572,896.62
including distribution of Government Employees Insurance Co. stock- July 6, 1948-cost \$736,190.95	
from Realized Gains on Investments	<u>\$9,299,236.03</u>

GRAHAM-NEWMAN CORPORATION
NEW YORK
PROFIT AND LOSS STATEMENTS

	FISCAL YEARS ENDED JANUARY 31st.		
	<u>1 9 5 6</u>	<u>1 9 5 5</u>	<u>1 9 5 4</u>
A - STATEMENTS OF INCOME AND EXPENSES			
<u>Income</u>			
Cash dividends	\$ 81,968.32	\$131,090.19	\$160,366.54
(net of dividends paid on short securities at June 30, 1956 \$22,187.15; at June 30, 1955 \$ 3,210.00)			
Interest on investments	15,534.58	19,257.89	7,040.22
Other income	<u>110.94</u>	<u>150.00</u>	<u>-</u>
<u>Total Income</u>	\$ 97,613.84	\$ 150,498.08	\$ 167,406.76
<u>Expenses</u>			
Officers' compensation (Note B):			
Benjamin Graham	96,679.23	170,617.41	86,951.53
Jerome A. Newman	106,679.23	170,617.41	86,951.53
Howard A. Newman	50,446.00	18,000.00	
Other		11,766.67	(30,856.67)
Other:			
Office salaries	21,512.17	12,344.17	11,358.66
Executive committee fees	10,000.00	10,000.00	10,000.00
Directors' fees	350.00	200.00	450.00
Rent and light	6,104.92	5,528.15	5,242.13
Telephone and telegraph	1,452.87	1,569.09	1,500.85
Taxes (other than Federal taxes on income)	10,970.97	14,045.47	6,900.69
Legal and accounting	10,231.00	7,368.76	10,304.08
Custodian fees	2,544.40	2,480.68	1,801.90
General expense	(5,002.87)	(8,136.96)	2,761.94
Contributions			4,650.00
Depreciation of furniture and fixtures	<u>1,542.34</u>	<u>1,702.61</u>	<u>1,667.17</u>
<u>Total Expenses</u>	<u>323,516.00</u>	<u>434,377.38</u>	<u>261,197.15</u>
<u>Balance, before provision for Federal taxes on income</u>	<u>(225,902.16)</u>	<u>(283,879.30)</u>	<u>(93,790.39)</u>
<u>Provision for Federal taxes on income (Note C)</u>	<u>None</u>	<u>None</u>	<u>None</u>
<u>Net Loss</u>	<u>\$ (225,902.16)</u>	<u>\$ (283,879.30)</u>	<u>\$ (93,790.39)</u>
B - NET REALIZED GAIN ON INVESTMENTS	\$1,181,119.98	\$1,648,818.55	\$ 789,402.63
(see following page)			
C - DECREASE IN UNREALIZED APPRECIATION OF INVESTMENTS	\$ (449,985.53)	\$ (436,072.00)	\$ (616,165.89)
(after deducting provision for related additional contingent compensation of officers)			
(see following page)			

The comments contained in the accompanying Notes to Financial Statements are an integral part of these statements and should be read in conjunction therewith.

PROFIT AND LOSS STATEMENTS

PISCAL YEARS ENDED JANUARY 31st.

	<u>1 9 5 6</u>			<u>1 9 5 5</u>			<u>1 9 5 4</u>		
B - STATEMENTS OF REALIZED GAIN OR LOSS ON INVESTMENTS									
<u>ON SALES OF</u>									
	<u>Proceeds of sale</u>	<u>Cost</u>	<u>Gain</u>	<u>Proceeds of sale</u>	<u>Cost</u>	<u>Gain</u>	<u>Proceeds of sale</u>	<u>Cost</u>	<u>Gain</u>
Securities of affiliates	\$545,584.20	-	\$ 545,584.20*	\$ 946,394.00	\$ 29,000.00	\$ 917,394.00*	\$1,214,491.35	\$1,146,480.00	\$ 68,011.35*
U.S. Government obligations	-	-	-	-	-	-	-	-	-
Securities of other invest- ment companies	-	-	-	109,098.26	100,219.87	8,878.39	-	-	-
Other securities	<u>3,057,470.49</u>	<u>2,421,934.71</u>	<u>635,535.78</u>	<u>2,769,085.61</u>	<u>2,046,539.45</u>	<u>722,546.16</u>	<u>1,536,874.87</u>	<u>815,483.59</u>	<u>721,391.28</u>
Total	<u>\$3,603,054.69</u>	<u>\$2,421,934.71</u>	1,181,119.98	<u>\$3,824,577.87</u>	<u>\$2,175,759.32</u>	1,648,818.55	<u>\$2,751,366.22</u>	<u>\$1,961,963.59</u>	789,402.63
Provision for Federal taxes on income (Note C)			<u>None</u>			<u>None</u>			<u>None</u>
Net Realized Gain on Investments			<u>\$1,181,119.98</u>			<u>\$1,648,818.55</u>			<u>\$789,402.63</u>

*represented primarily by gain on liquidation of Atlantic Gulf and West Indies Steamship Lines.

Cost of securities acquired during year:								
Securities of affiliates	None		None			None		
U.S. Government obligations	745,298.00		1,246,681.00			747,056.25		
Securities of other investment companies	None		None			None		
Other securities	<u>3,056,557.06</u>		<u>2,534,626.76</u>			<u>808,974.09</u>		
Total	<u>\$3,801,855.06</u>		<u>\$3,781,307.76</u>			<u>\$1,556,030.34</u>		

Cost of securities sold has been determined upon the "first in-first out" basis. It is not practicable to determine gains or losses on the average cost basis.

C - STATEMENTS OF UNREALIZED APPRECIATION OR DEPRECIATION							
<u>ON INVESTMENTS (Note A)</u>							
Unrealized appreciation at beginning of year	\$1,179,715.00			\$1,787,305.00			\$2,557,512.35
do at close of year	<u>617,233.09</u>			<u>1,179,715.00</u>			<u>1,787,305.00</u>
Decrease in unrealized appreciation	(562,481.91)			(607,590.00)			(770,207.35)
Deduct-Reduction in provision for related additional contingent compensation of officers (Note B)	<u>(112,496.38)</u>			<u>(121,518.00)</u>			<u>(154,041.46)</u>
Balance-Decrease in unrealized appreciation applicable to outstanding capital shares	<u>\$(449,985.53)</u>			<u>\$ (486,072.00)</u>			<u>\$ (616,165.89)</u>

The comments contained in the accompanying Notes to Financial Statements are an integral part of these statements and should be read in conjunction therewith.

GRAHAM-NEWMAN CORPORATION
NEW YORK
STATEMENTS OF CHANGES IN NET ASSETS

	FISCAL YEARS ENDED JANUARY 31st.											
	1	9	5	6	1	9	5	5	1	9	5	4
NET ASSETS AT BEGINNING OF YEAR												
Undistributed net income included therein (Deficit) (excess of accumulated distributions over accumulated net income)	\$(655,371.47)			\$5,091,180.69	\$(371,492.17)			\$5,850,963.44	\$(277,701.78)			\$6,541,517.09
INCOME												
Net Loss (per Exhibit III)	(225,902.16)				(283,879.30)				(93,790.39)			
Distributions paid (or payable)	None				None				None			
Balance of income undistributed (loss)				(225,902.16)				(283,879.30)				(93,790.39)
REALIZED GAIN ON INVESTMENTS												
Net realized gain on investments (per Exhibit III)	1,181,119.98				1,648,818.55				789,402.63			
Distributions paid (or payable)	955,217.82*				1,364,939.25*				695,612.24*			
Balance of realized gain on investments for the year				225,902.16				283,879.30				93,790.39
DECREASE IN UNREALIZED APPRECIATION OF INVESTMENTS (per Exhibit III)	(562,481.91)				(607,590.00)				(770,207.35)			
Less-Reduction in provision for related contingent compensation of officers (Note B)	(112,496.38)				(121,518.00)				(154,041.46)			
Balance-Decease in unrealized appreciation applicable to outstanding capital shares				(449,985.53)				(486,072.00)				(616,165.89)
				None				None				None
SECURITIES REPURCHASED				None				None				None
				(183,132.18)*				(273,710.75)*				(74,387.76)
DISTRIBUTIONS OF CAPITAL												
NET ASSETS AT CLOSE OF YEAR												
Undistributed net income included therein (Deficit) (excess of accumulated distributions over accumulated net income)	\$(881,273.63)			\$4,458,062.98	\$(655,371.47)			\$5,091,180.69	\$(371,492.17)			\$5,850,963.44
*Distributions paid (or payable)												
				Per share				Per share				Per share
July 1, 1955	12.50			\$ 62,500.00	June 4, 1954	12.50		\$ 62,500.00	June 12, 1953	12.50		\$ 62,500.00
Sept. 1, 1955	12.50			62,500.00	Sept. 24, "	12.50		62,500.00	Sept. 10, "	12.50		62,500.00
Dec. 1, 1955	12.50			62,500.00	Dec. 22, "	12.50		62,500.00	Dec. 18, "	12.50		62,500.00
March 12, 1956	190.17			950,850.00*	Mar. 10, 1955	290.23		1,451,150.00	Mar. 5, 1954	116.50		582,500.00
Total				\$227.67		\$327.73		\$1,638,650.00		\$154.00		\$770,000.00
of which-charged to Earned Surplus:												
out of income				None				None				None
out of realized gain on investment				955,217.82				1,364,939.25				695,612.24
do Capital Surplus				183,132.18				273,710.75				74,387.76
(excess of distributions over balance of Earned Surplus)												
Total, as above				\$1,138,350.00				\$1,638,650.00				\$770,000.00
Net Loss (not including capital gains)	(45.18)			(225,902.16)	(56.78)			(283,879.30)	(18.76)			(93,790.39)
Realized gain on investments	236.22			1,181,119.98	329.76			1,648,818.55	157.88			789,402.63
Decrease in Unrealized Appreciation applicable to outstanding capital shares	(90.00)			(449,985.53)	(97.21)			(486,072.00)	(123.23)			(616,165.89)
Total	\$101.05			\$ 505,232.29	\$175.77			\$ 878,867.25	\$ 15.89			\$ 79,446.35

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED
JANUARY 31, 1954, JANUARY 31, 1955 AND JANUARY 31, 1956

	TOTAL NET ASSETS	Capital Shares	Capital Surplus	Realized Gains on Investments	Unrealized Appreciation of Investments (3)	NET INCOME
FISCAL YEAR ENDED JANUARY 31, 1954						
Balances at January 31, 1953	\$6,805,567.09	\$2,500,000.00	\$2,097,580.52	\$ 435,026.34	\$2,050,661.61	\$(277,701.78)
Deduct-Final dividend for prior year (paid March 12, 1953)	<u>264,050.00</u>		<u>106,725.44</u>	<u>157,324.56</u>		
	6,541,517.09		1,990,855.48	277,701.78		(93,790.39)
Net income for year (deficit)	(93,790.39)			789,402.63		
Realized gains on investments	<u>789,402.63</u>				<u>(616,165.89)</u>	
Decrease in unrealized appreciation of investments (3)	<u>(616,165.89)</u>					
	6,620,963.44		1,990,855.48	1,067,104.41	1,434,495.72	(371,492.17)
Distributions paid (1)	<u>770,000.00</u>		<u>74,387.78(2)</u>	<u>695,612.24</u>		
Balances at January 31, 1954	5,850,963.44	2,500,000.00	1,916,467.72	371,492.17	1,434,495.72	(371,492.17)
FISCAL YEAR ENDED JANUARY 31, 1955						
Net income for year (deficit)	(283,879.30)			1,648,118.55		(283,879.30)
Realized gains on investments	<u>1,648,818.55</u>				<u>(486,072.00)</u>	
Decrease in unrealized appreciation of investments (3)	<u>(486,072.00)</u>					
	6,729,830.69		273,710.75(2)	2,020,110.72	948,423.72	(655,371.47)
Distributions paid (1)	<u>1,638,650.00</u>			<u>1,264,139.25</u>		
Balances at January 31, 1955	5,091,180.69	2,500,000.00	1,642,756.97	655,771.47	948,423.72	(655,371.47)
FISCAL YEAR ENDED JANUARY 31, 1956						
Net income for year (deficit)	(225,902.16)			1,181,119.98		(225,902.16)
Realized gains on investments	<u>1,181,119.98</u>				<u>(449,985.53)</u>	
Decrease in unrealized appreciation of investments (3)	<u>(449,985.53)</u>					
	5,596,412.98		183,132.18(2)	1,336,491.45	498,438.19	(881,273.63)
Distributions paid (1)	<u>1,138,350.00</u>			<u>955,217.82</u>		
Balances at January 31, 1956	<u>\$4,458,062.98</u>	<u>\$2,500,000.00</u>	<u>\$1,459,624.79</u>	<u>\$ 381,773.63</u>	<u>\$ 498,438.19</u>	<u>\$ (881,273.63)</u>

- (1) The accounts for the fiscal years ended January 31, 1954 and January 31, 1955 have been restated to include in "distributions paid" the final dividends for the year which were paid subsequent to the close thereof (at March 12, 1953 \$264,050; at March 5, 1954 \$582,500; at March 10, 1955 \$1,451,150).
- (2) The distributions paid which are shown as having been paid out of capital surplus represent the excess of such distributions over the balance of Earned Surplus -
- | | | | |
|---|---------------------|---------------------|----------------------|
| | Jan. 31, 1954 | Jan. 31, 1955 | Jan. 31, 1956 |
| Earned surplus at the close of the year ended | | | |
| before deducting distributions paid being represented as follows: | | | |
| Accumulated balance of realized gains | \$1,067,104.41 | \$2,020,310.2 | \$1,836,491.45 |
| Accumulated net income, exclusive of capital gains (deficit) | <u>(371,492.17)</u> | <u>(655,371.47)</u> | <u>(881,273.63)</u> |
| Total - Earned Surplus | 695,612.24 | 1,364,939.2 | 955,217.82 |
| Distributions paid | <u>770,000.00</u> | <u>1,638,650.00</u> | <u>1,138,350.00</u> |
| Excess of distributions paid over Earned Surplus balance | <u>\$ 74,387.78</u> | <u>\$ 273,710.5</u> | <u>\$ 183,132.18</u> |
- (3) The amounts shown as Unrealized Appreciation of Investments (and the decreases therein) represent the net amounts applicable to outstanding capital shares, after deducting the related additional contingent compensation of officers (and the decreases therein).

GRAHAM-NEWMAN CORPORATION

EXHIBIT V

NEW YORK

STATEMENT OF SOURCES OF NET ASSETS

JANUARY 31, 1956

CAPITAL

Excess of amounts received from sale of
capital shares over amounts paid out
in redeeming or reacquiring shares \$5,532,521.41

Number of shares authorized
and outstanding - 5,000 shares

Stated value thereof - \$500.00
per share \$5,000,000

Aggregate distributions from net
proceeds from sale of capital shares 1,572,896.62
(including distribution of Govern-
ment Employees Insurance Co. stock
July 6, 1948 at cost \$736,190.95)

Balance of Capital paid in on shares \$3,959,624.79

ACCUMULATED NET REALIZED GAIN ON
INVESTMENTS

10,180,509.66

Accumulated distributions of realized
gain on investments

9,299,236.03 881,273.63

UNREALIZED APPRECIATION OF ASSETS

617,233.09

less provision for related additional
contingent compensation of officers

118,794.90 498,438.19

TOTAL

5,339,336.61

BALANCE OF UNDISTRIBUTED NET INCOME (DEFICIT)

(881,273.63)

(excess of accumulated distributions
over net income)

NET ASSETS APPLICABLE TO OUTSTANDING SHARES\$4,458,062.98

NEW YORK

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 1956

NOTE A - VALUATION OF INVESTMENTS-
UNREALIZED APPRECIATION OF INVESTMENTS

Investments have been evaluated at their quoted market values as at January 31, 1956 except that an investment in respect of which the company has a put option, exercisable during a period of one year commencing one year subsequent to the date of each purchase, has been valued on the basis pro-

which may be actually realizable upon sale of the securities.

The unrealized appreciation of investments as at January 31, 1956 is represented as follows:

	<u>Cost</u>	<u>Value at Jan. 31, 1956</u>	<u>Unrealized Appreciation at Jan. 31, 1956</u>
Investments in securities of unaffiliated issuers:			
United States Treasury bills	\$ 745,298.00	\$ 745,298.00	\$ -
Securities of other investment companies	-	-	-
Other securities	4,488,996.99	5,128,177.00	639,180.01
Investments in affiliates (not controlled)		None	
Total	5,234,294.99	5,873,475.00	639,180.01
Securities short (a)	<u>(493,724.08)</u>	<u>(515,671.00)</u>	<u>(21,946.92)</u>
Net securities position	<u>\$4,740,570.91</u>	<u>\$5,357,804.00</u>	617,233.09
Deduct-Provision for related additional contingent compensation of officers on the increase in unrealized appreciation subsequent to January 31, 1948			<u>118,794.90</u>
Net unrealized appreciation of investments, after providing for related additional contingent compensation of officers			<u>\$498,438.19</u>

(a) Securities short are stated at proceeds of sale, market value at January 31, 1956 and indicated gain or loss on the basis of such market value.

NOTE B - COMPENSATION OF OFFICERS

The Chairman of the Board receives a salary of \$15,000 per annum and the President and the Treasurer each receive a salary of \$25,000 per annum. (For the fiscal year ended January 31, 1955 the salaries paid were \$25,000, \$25,000 and \$18,000; and for the prior fiscal year - ended January 31, 1954, salaries were paid to Benjamin Graham as President and to Jerome A. Newman as Vice-President and Treasurer of \$25,000 to each.) In addition thereto, additional compensation is payable to them 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 the 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. The total amount of such additional compensation subsequent to January 31, 1948 is, however, limited to 25% of the excess of the dividends paid during this period over the amount equivalent to \$40.00 per share per annum on the presently outstanding capital stock (or the equivalent on the old stock outstanding prior to recapitalization in 1950). For the purpose of computing this limitation, the final dividend for any fiscal year, although declared and payable subsequent to the close of the year (but which under the provisions of the Internal Revenue Code may be included for tax purposes in the amount of dividends paid during the prior year) is considered as includible in the amount of dividends paid during such prior year. The additional compensation is payable in five equal annual installments within sixty days of the close of the respective fiscal years, but payment of the deferred installments may be accelerated at the discretion of the directors. In the event of the death of any officer who is entitled to additional compensation, or upon the termination of his tenure of office, the additional compensation due him is to be determined upon the basis of the value of investments (including unrealized appreciation or depreciation) as at the date of such event.

NOTE C - 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 to Federal taxes on income on such amount only as is represented by its undistributed net long term capital gains (less its short term capital losses, if any) and its undistributed net income from other sources. The corporation has in the past, and intends in the future, to distribute as dividends each year, or within the time limit provided by the terms of the Internal Revenue Code, an amount which will absorb the total net income in each of the above categories which is reportable for Federal income tax purposes, and in this event will not be liable for Federal taxes on income. No provision has therefore been made for such taxes either in respect of the realized net income for the current year or in respect of the unrealized appreciation at the close thereof.

By reason of the fact that deduction is taken on the corporation's tax return in respect of officers' compensation for such amount only as is currently payable (including installments of compensation earned in prior years which become currently payable - see Note B), the net income reported for tax purposes is greater than the net income shown by the statements herein.

JANUARY 31, 1956

NOTE D - FINAL DIVIDEND FOR THE YEAR

The "final dividend" of a regulated investment company for any year may, under the provisions of the Internal Revenue Code, be included for tax purposes in the amount of dividends paid during the prior year, even though declared and paid subsequent to the close thereof. The company has adopted the policy of including the final dividend for the year in its accounts for the year to which it relates. This change in accounting procedure became effective for the fiscal year ended January 31, 1955. The accounts for the fiscal years ended January 31, 1954 and January 31, 1955 have been re-stated to give effect to this change.

GRAHAM-NEWMAN CORPORATION

NEW YORK

INVESTMENTS IN SECURITIES

JANUARY 31, 1956

S U M M A R Y

	MARKET VALUE AT JAN. 31, 1956
<u>HOLDING COMPANIES</u>	
Preferred Stocks	\$ 13,500
Common Stocks	869,159
<u>OTHER SECURITIES</u>	
<u>Bonds</u>	
Railroads	1,141,489
Utilities	20,250
Industrial	160,660
<u>Preferred Stocks</u>	
Railroad	65,000
Utilities	6,600
Industrial	552,699
<u>Common Stocks</u>	
Railroads	620,390
Utilities	298,616
Industrial	1,379,814
<u>TOTAL</u>	<u>\$5,128,177</u>

GRAHAM-NEWMAN CORPORATION
NEW YORK
INVESTMENTS IN SECURITIES
JANUARY 31, 1956

No. of shares or Face amount	MARKET VALUE JAN. 31, 1956
<u>HOLDING COMPANIES</u>	
<u>Preferred Stocks</u>	
100 Alleghany Corp. \$4.00 Convertible Prior Preferred	\$ 13,500
<u>Common Stocks</u>	
3,405 Engineers Public Service Company (stubs)	409
50,000 Philadelphia & Reading Corp.	868,750
	<u>\$869,159</u>
<u>OTHER SECURITIES-BONDS</u>	
<u>Railroads</u>	
195 M. International Great Northern Railroad Company Adjustment Mortgage Series A 6% 1952	196,770*
313 M. Missouri Pacific Railroad 5-1/2% Series A 5/1/1949	374,084*
31 M. Missouri Pacific Railroad 5-1/4% Secured Serial 12/1/1956	50,212*
2,039 M. New York, New Haven & Hartford Railroad Co. Certificates of Beneficial Interest	495,236(x)
25 M. New Orleans, Texas & Mexico- 5-1/2% Series A-1954	25,187
	<u>\$1,141,489</u>
<u>Utilities</u>	
25 M. Brazilian Traction Light & Power Co. Ltd. Series E Convertible Collateral Trust 4-1/2% 9/1/1971	\$ 20,250
<u>Industrial</u>	
100 M. Dow Chemical Co. 3% Convertible Subordinated Debentures 7/1/1982	126,250
37 M. Standard Coil Products, Inc. 5% Convertible Subordinated Debentures 12/1/1967	34,410
	<u>\$160,660</u>

*Evaluated on basis of realizable value of sales contracts
of when issued securities receivable in proposed re-
organization.

(x) Evaluated upon the basis of a put option (see Note A).

INVESTMENTS IN SECURITIES

JANUARY 31, 1956

Number of Shares	MARKET VALUE JAN. 31, 1956
<u>OTHER SECURITIES-PREFERRED STOCKS</u>	
<u>Railroad</u>	
500 Norwich & Worcester Railroad Co. Preferred	\$ <u>65,000</u>
<u>Utilities</u>	
2,200 Central States Electric Corporation 7% Preferred (stubs)	\$ <u>6,600</u>
<u>Industrial</u>	
1,000 American Airlines 3-1/2% Convertible Preferred	113,500
1,000 American Cyanamid 3-3/4% Convertible Preferred-Series C	130,500
500 Fedders Quigan Corporation 5% Convertible Preferred-Series A	25,625
100 Fedders Quigan Corporation 5-1/2% Convertible Preferred	4,750
500 Hamilton Watch Co. 4% Convertible Preferred	44,375
200 McCord Corporation \$2.50 Convertible Preferred	9,200
430 McCrory Stores Corp. 3-1/2% Convertible Preferred	34,400
600 National Container Corp. \$1.25 Convertible Preferred	21,150
500 Olin Mathieson Chemical Corporation 4-1/4% Convertible Preferred-1951	57,500
460 Pfizer & Co., Inc. (Chas.)- 4% Convertible Preferred	47,380
201 Rockwood & Co. 5% Preferred-Class A	16,582
500 Thermoid Company \$2.50 Convertible Preferred	22,437
1,100 Twin Coach Co. \$1.50 Convertible Preferred	<u>25,300</u>
	<u>\$552,699</u>
<u>OTHER SECURITIES-COMMON STOCKS</u>	
<u>Railroads</u>	
500 Cleveland & Pittsburgh Railroad Co.: \$3.50 Regular Guaranteed	38,125
400 \$2.00 Special Guaranteed Betterment	18,000
200 Erie & Pittsburgh Railroad Co.	14,275
19,000 Illinois Terminal Railroad Co.	299,250
200 Mahoning Coal Railroad Co.	117,750
60 Providence & Worcester Railroad Co.	9,630
240 Vermont & Massachusetts Railroad Co.	27,360
1,500 Western Pacific Railroad Company	<u>96,000</u>
	<u>\$620,390</u>

INVESTMENTS IN SECURITIES

JANUARY 31, 1956

Number of Shares	MARKET VALUE JAN. 31, 1956
<u>OTHER SECURITIES-COMMON STOCKS (Continued)</u>	
<u>Utilities</u>	
1,000 American Telephone & Telegraph Co.	\$184,375
2-64/154 Brooklyn & Richmond Ferry Co.	441
500 Gold & Stock Telegraph Company	77,000
320 International Ocean Telegraph Company	<u>36,800</u>
	<u>\$298,616</u>
<u>Industrials</u>	
400 Allied Kid Company	9,550
900 Arkansas Fuel Oil Corp.	29,588
400 Brockway Motor Co.	11,700
400 Butler Bros.	11,800
2,300 Chamberlin Co. of America	14,088
1,100 Cleveland Worsted Mills Company	160,600
1,500 Conn (C.G.) Ltd.	12,188
1,300 C.W.C. Liquidating Corp.	7,312
4,100 Clinton Foods, Inc.	183,475
5,000 Consolidated Liquidating Corporation	2,500
5,000 Continental Foundry & Machine Co.	40,000
700 Crompton & Knowles Loom Works	13,912
1,300 Davenport Hosiery Mills, Inc.	21,450
700 Diamond T Motor Car Co.	13,475
1,000 Dictograph Products Co., Inc.	7,125
500 Fowler Hosiery Co.	3,375
770 General Realty & Utilities Corp.	11,550
1,600 Greif Bros. Cooperage Class A	50,600
1,400 Gruen Watch Company	21,000
500 Hart, Schaffner & Marx	15,250
2,500 Hercules Motors Corporation	44,062
900 Houston Oil Co. of Texas	141,750
234 Industrial Enterprises, Inc.	5,499
1,000 International Packers, Ltd.	12,875
1,800 Kalamazoo Stove & Furnace Co.	3,375
700 Kirby Petroleum Trust #1 Certificates of Beneficial Interest	4,812
1,200 Kirby Petroleum Trust #2 Certificates of Beneficial Interest	3,150
25 Laundry & Cleaners Supply Corp.	1,625
500 Francis H. Leggett & Co.	5,750
100 Marshall-Wells Company	<u>35,200</u>
Forward	<u>\$898,636</u>

INVESTMENTS IN SECURITIES

JANUARY 31, 1956

Number of Shares	MARKET VALUE JAN. 31, 1956
<u>OTHER SECURITIES-COMMON STOCKS</u> (Continued)	
<u>Industrials</u> (Continued)	
(Forward)	\$898,636
1,900 Mohawk Rubber Co.	32,300
2,000 Moore Handley Hardware Co., Inc.	15,500
1,000 National Department Stores Corporation	22,875
1,600 National Presto Industries	17,400
3,000 P.R.M. Incorporated	61,875
5,329 Publicker Industries, Inc.	50,625
400 Reliable Stores Corporation	6,000
1,500 Rockwood & Co.	120,000
500 Sargent & Co.	9,750
100 Schenley Industries, Inc.	2,000
220 Shuron Optical Company, Inc.	7,975
100 Singer Manufacturing Co.	4,012
1,000 Spiegel, Inc.	15,750
325 J. H. Thorpe, Inc.	15,925
845 Timely Clothes, Inc.	15,316
1,000 Todd Shipyards Corporation	65,250
1,350 Tyer Rubber Company	16,875
500 Willys Overland Motors, Inc. (stubs)	1,750
<hr/> <u>\$1,379,814</u>	

GRAHAM-NEWMAN CORPORATION

NEW YORK

SECURITIES SHORT

JANUARY 31, 1956

<u>Number of Shares</u>		<u>COVER VALUE JAN. 31, 1956</u>
1,600	Alleghany Corporation	\$ 13,400
4,800	American Airlines	111,600
2,000	American Cyanamid	131,500
2,142	Dow Chemical Co.	125,307
2,028	Fedders Quigan Corporation	22,815
1,020	National Container Corp.	20,655
1,050	Olin Mathieson Chemical Corp.	55,519
900	Pfizer & Co., Inc. (Chas.)	34,875
		<u>\$515,671</u>

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

* OXFORD 5-3660

A C C O U N T A N T S' R E P O R T

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

We have examined the Balance Sheet of Graham-Newman Corporation as of January 31, 1956 and the related statements of Income and Expense, Realized Gain or Loss on Investments, Unrealized Appreciation or Depreciation of investments, and Changes in Net Assets, for the three fiscal years 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.

The company has adopted the policy of charging against surplus and setting up as a liability at the close of the fiscal year the final dividend for the year, which although declared and payable subsequent to the close thereof, may, under the provisions of the Internal Revenue Code applicable to regulated investment companies, be included for tax purposes in the amount of dividends paid during the prior year.

In our opinion, the accompanying Balance Sheet and the related statements herein covering the operations of the company for the fiscal years ended January 31, 1954, 1955 and 1956, together with the Notes appended thereto and the related schedules herein, present fairly the position of Graham-Newman Corporation as at January 31, 1956 and the results of its operations for the three fiscal years then ended, in conformity with generally accepted accounting principles applicable to regulated investment companies, applied on a consistent basis.

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

New York, N. Y.
July 17, 1956.

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 9, 1956, at 2:00 P.M., for the following purposes:

- (1) To elect six 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.
- (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, 1957.
- (3) To transact such other business as may properly come before the meeting or 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, 1956, in the form in which it was mailed to the Stockholders of the Corporation on February 24, 1956. 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 28, 1956, 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.

WARREN E. BUFFETT
Secretary

New York, N. Y.
March 15, 1956.

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 9, 1956

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 9, 1956 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 24, 1956. This report included financial statements for the fiscal year ended January 31, 1956. 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, 1956, there were 5,000 shares of capital stock of the Corporation outstanding. Each of such shares held of record on March 28, 1956 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.

Six 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. 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
Jerome A. Newman

Robert J. Marony
David L. Dodd

William K. Jacobs, Jr.
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 six members and may be increased to not more than nine. The number of directors now has been fixed at six.

B. Information about Nominees for Election as Directors.

<u>Names</u>	<u>Principal Occupation or Employment</u>	<u>Served contin- ously as a Director Since</u>	<u>Number of Shares Graham-Newman Corporation Common Stock Beneficially Owned Directly and/or Indirectly on February 16, 1956</u>	
Benjamin Graham	Chairman of Board of Directors, Graham- Newman Corp.	1936	(1)	84
Jerome A. Newman	President, Graham-Newman Corp.	1936	(2)	207
Robert J. Marony	Director, Chicago, Milwaukee, St. Paul & Pacific RR	1936	(3)	61
Wm.K.Jacobs, Jr.	Financial Counsel	1940	(4)	None
David L. Dodd	Professor of Finance, Columbia University	1944	(5)	41
Howard A. Newman	President, Phila. and Reading Corp. and Vice President and Treasurer, Graham- Newman Corp.	1952		4

(1) Mrs. Graham owns 12 shares.

(2) Mrs. Newman owns 159 shares.

(3) Mrs. Marony owns 21 shares.

(4) Mrs. Jacobs is a life tenant of a trust owning 60 shares in which Mr. Jacobs has a contingent beneficial interest.

(5) Mrs. Dodd owns 56 shares.

Stryker & Brown, investment securities-brokers own in excess of 10% of the outstanding stock, but we are advised this is not entirely owned for permanent investment.

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

<u>Name of Individual</u>	<u>Capacity in which Remunera- tion was Received</u>	<u>Salaries for Fiscal Year ended Jan. 31, 1956</u>	<u>Shares in Profits</u>	<u>Pension Retire- ment and Similar Payments</u>
Benjamin Graham	Chairman of Board of Direc- tors, Graham- Newman Corp.	\$15,000.	\$ 81,679.23 (1)	None
Jerome A. Newman	President, Graham-Newman Corp.	\$25,000.	\$ 81,679.23 (1)	None
Howard A. Newman	Vice-President and Treasurer, Graham-Newman Corp.	\$25,000.	\$ 25,446.00 (2)	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, 1956.

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

Salaries of Directors and Officers as such	\$ 83,582.33
Additional compensation based on profits	<u>188,804.46</u>
	272,386.79 (3)

- (1) Of these amounts \$65,343.39 is payable after January 31, 1956. Total amount shown is \$63,938.18 less than that received in the previous fiscal year.
- (2) Of this amount \$20,356.80 is payable after January 31, 1956. Total amount shown is \$25,446 - more than that received in previous fiscal year.
- (3) Represents decrease of \$108,814.70 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, 1957. 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. 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.

F. 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, 1956.