

CRITERIA FOR LIQUIDATIONS WHERE MONEY IS HELD BY COMPANY.

- ✓ 1. Percent profit should be minimum 15-20% per annum based on estimate of time and payments to be made.
- ✓ 2. Should be a few points spread between market and estimated work-out despite percentage gain.
- ✓ 3. If in litigation - issue should be earning some money during period or at least not losing money. *much*
- 4. Prospect of loss on investment should appear remote. Use Graham's formula on special situations.
- 5. Issue should be first in line for payment - not junior security.

(Preferably)

COMMENT: Preferable to buy liquidations before initial payout as most of money received back and low remaining cost then increases percent return.

WARNING: Liquidations not as profitable as formerly due primarily to competition of specialists in this field.

With the above criteria in mind I reviewed our present holdings and it appeared based on our figures and reports, that Wealdon Corporation still seems attractive.

We presently own \$28,500 or 1500 shares in Graham-Newman and \$68,000 or 3596 shares in Newman & Graham.

| Our Average Cost | Present Market | Estimated Work-out | Time | Annual % Profit |
|------------------|----------------|--------------------|-------|-------------------|
| 19 | 18 7/8 | 23 | 1 yr. | 21% (on 19 Price) |

It would appear likely that a large payment estimated \$15-\$20 a share will be paid within a year. To satisfy ourselves that the management is thinking along these lines, I would suggest that Lawrence Kessel go to Baltimore and talk with J. B. Wharton, Jr. the Treasurer, who is the active officer. If this appears inadvisable, then a telephone call to him is suggested.

If the additional information we secure is satisfactory, I believe we should increase our holdings in Graham-Newman Corporation to \$50,000 and Newman & Graham to \$100,000.

Walter J. Schloss

May 16, 1952.

GRAHAM formula

80% chance of success at 23 within 1 yr

$$\frac{80 \times 4 \text{ pts}}{19 \times 1 \text{ yr}} = 16.92$$