GRAHAM-PAIGE MOTORS CORPORATION

Annual
REPORT

FOR YEAR ENDED
DECEMBER THIRTY-FIRST
1947

NEW YORK, N.Y.
GRAHAM-PAIGE MOTORS CORPORATION

The Owners of this Corporation are:

611  . . . . . . . . . . . . . . . . . . . . . . . Preferred Stockholders
35,300 . . . . . . . . . . . . . . . . . . . . . . . Common Stockholders

Board of Directors

JOSEPH W. FRAZER, Chairman
JOHN L. Cotter
WILLIAM M. FLOOK
F. L. HOPKINSON

WILLIAM M. JENNINGS
O. B. MOTTER
D. FRASER SULLIVAN

Officers

JOSEPH W. FRAZER . . . . . President
F. L. HOPKINSON . . . . . Executive Vice President
O. B. MOTTER . . . . . Vice President
G. HAROLD BELL . . . . . Vice President
A. E. BARTON . . . . . Vice President and Treasurer
WILLIAM M. JENNINGS . . . . Secretary
GEORGES DE CORIOLIS . . . . Assistant Secretary

Transfer Agents

THE MARINE MIDLAND TRUST COMPANY OF NEW YORK
New York, N. Y.
DETROIT TRUST COMPANY
Detroit, Michigan

Registrars

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK
New York, N. Y.
NATIONAL BANK OF DETROIT
Detroit, Michigan

Counsel

SIMPSON THACHER & BARTLETT, New York, N. Y.

Auditors

HASKINS & SELLS, Detroit, Michigan; Philadelphia, Pennsylvania
The year 1947 saw your corporation—

1. Complete the sale of its automotive assets to Kaiser-Frazer Corporation and at the same time become the largest stockholder of Kaiser-Frazer.

2. Move its farm equipment operations from the Willow Run factory, which it had shared with Kaiser-Frazer, to a plant leased in York, Pa.

3. Further develop its farm equipment business.

4. Take various steps in order to strengthen its financial condition.

As the result of such events, the business of your Corporation consists of the following: first, its investment in Kaiser-Frazer, which as this report is written amounts to 845,000 shares of Common Stock or 18.52% of the outstanding stock of that corporation; second, its farm equipment business, which consists of the manufacture and distribution of the "Rototiller" farm implement and certain other items and the merchandising of a line of specialized farm machinery, including the new light-weight Jaques-Frazer tractor. Such products of the Corporation are more fully discussed elsewhere in this report.

Kaiser-Frazer

In view of Graham-Paige's large interest in Kaiser-Frazer, it will interest you to know of the progress of that corporation in 1947. During the year Kaiser-Frazer turned the corner to become the fourth largest manufacturer of automobiles in the world. Net sales for the year totaled $260,132,988 on which was realized a net profit of $19,015,677 or $4.16 per share of presently outstanding Common Stock. These figures compare with net sales of $11,504,442 and a net loss of $19,284,680 in 1946. As of the date hereof, Kaiser-Frazer earnings have also been substantial in 1948.

As reported to you in last year's annual report, the automotive assets of Graham-Paige were sold to Kaiser-Frazer on February 10, 1947. As part of this transaction, Kaiser-Frazer agreed to pay principal and interest on the $8,524,000 outstanding principal amount of your
Corporation's 4% Convertible Debentures, and the Corporation acquired an additional 750,000 shares of Kaiser-Frazer Common Stock. It is gratifying to note that the interest on the Graham-Paige Debentures was earned in excess of fifty-five times by Kaiser-Frazer last year. Graham-Paige retains a contingent liability on these Debentures in the event of default by Kaiser-Frazer.

**MOVE TO YORK**

In August of 1947 the Corporation moved its farm equipment operations from the Willow Run factory, which it had shared with Kaiser-Frazer, to a plant at York, Pa., to obtain less expensive and more efficient manufacturing space in the heart of one of the richest agricultural sections of the United States. As a result of such transfer, substantial economies in rental, labor rates and other costs of production were realized. The York plant is occupied under a ten-year lease with options to buy.

**ROTOTILLER OPERATIONS**

The pent up post-war demand for all types of agricultural equipment resulted during the first half of 1947 in more orders for Rototillers than your Corporation could produce. As a result, Graham-Paige enjoyed a good profit during the first six months on its farm equipment business. However, a sudden and unexpected lag occurred around July 1 in Rototiller sales. Such lag was caused by two separate factors. The first was the seasonal nature of the farm equipment industry, which, while recognized by your management, had not been expected to evidence itself until 1948. The second factor concerned the sales organization of the Corporation, which at July 1 consisted largely of distributors and dealers who sold both the products of the Corporation and the automobiles of Kaiser-Frazer. This arrangement was extremely satisfactory at first, but with the greatly increased automobile production of Kaiser-Frazer in the early summer the Corporation found less and less sales effort being devoted by such distributors and dealers to farm equipment. It was necessary, therefore, to commence an intensive program of replacing joint distributors and dealers with independent outlets with greater experience in the farm equipment field. Such program has been a lengthy one, but substantial progress has been accomplished in this direction. At the present time the Corporation has a large and aggressive sales organization well versed in the farm equipment field.

Prior to the move to the York plant, the engines used in the Rototiller had been purchased from Bell Aircraft Corporation of Burlington, Vt. With the increased facilities at York, however, it was determined that economies could be achieved through the assembly of such engines by the Corporation. In October 1947, therefore, an agreement was entered into for the purchase of all engine inventories which Bell Aircraft had on hand, and the Corporation is presently operating an efficient engine assembly line in the York plant.
While Rototiller sales have levelled off from their post-war high to definite seasonal patterns, your management believes that the Rototiller will continue to constitute a substantial and profitable division of the operations of the Corporation.

NEW PRODUCTS

The aim of your management is to achieve greater coverage of the farm field by the addition of new products to the line of the Corporation. In view of the limited amounts of capital available for the substantial initial costs of new products, this policy has to date been a selective one, but it is believed that accelerated progress can be made in the near future. During 1947, various new products were introduced, including a stationary all-purpose power unit, a self-propelled rotating saw, a post-hole digger and a farm wagon. Early in 1948, announcement was made of the Jaques-Frazer tractor.

It has long been the intention of your Corporation to enter the tractor business. After experimentation with various types of tractors, it was found most feasible and practical to produce initially a light tractor powered by the engine presently utilized by the Rototiller.

This new farm implement has many sales advantages. It was introduced to dealers and the public in New York City and other points in the United States and was enthusiastically received. More than 9,000 people visited the New York showing, including grange groups from nearby farm areas and dealers from all parts of the country and from South America. The exhibit produced a large number of inquiries which resulted in substantial orders which are now being filled. You will find the tractor more fully described and pictured elsewhere in this report.

EXPORT TRADE

Your Corporation through its subsidiary, Graham-Paige International Corporation, has been highly successful in the sale of its products in practically all foreign countries where dollar exchange has been available. As of the date of this report, this export sales organization has appointed 100 distributors located in 67 separate countries throughout the world. Export operations, particularly in view of the strong overseas market for agricultural implements, present a promising outlook, and there is every reason to believe that this demand will continue as long as dollars are available for purchases. The demand is particularly evident in South America, North and South Africa and Western European countries.
FINANCING

Losses from automotive production during 1946 and January 1947 and the mid-summer lag in Rototiller sales presented your Corporation with many problems during the year under review, but it is believed that the vigorous action taken by your management has resulted in marked strengthening of the Corporation's general financial condition.

Upon the sale of the automotive assets on February 10, 1947 only a small amount of working capital was available, and there was an outstanding bank loan of $3,000,000. Such bank loan was reduced to a nominal amount during June and July by the application of the Corporation's Federal tax refund and the sale of the Corporation's holdings in Portsmouth Steel Corporation, and was paid in full during August.

Since substantial amounts were required to meet current commitments and liabilities during August, it was necessary to sell 155,000 shares of Kaiser-Frazer Common Stock and to obtain two short term bank loans. None of such shares was sold to persons affiliated with the Corporation, except that 100,000 shares were sold to Permanente Metals Corporation, a corporation controlled by Henry J. Kaiser interests.

The first maturity of one of such short term bank loans was met in November through application of the proceeds of the final settlement of the sale of the Corporation's previous subsidiary, Warren City Manufacturing Company, to The Federal Machine and Welder Company of Warren, Ohio. Pursuant to such settlement, the Corporation received $199,312.41 and will receive an additional $11,362.28. The Corporation in 1945 and 1946 had written down its investment in Warren City to $42,909.

In November the Corporation sold to the public through an underwriter 233,320 additional shares of Common Stock at the then market price. Net proceeds of $1,166,755 from such sale were utilized to pay the remaining bank loans outstanding in the amount of $283,000, to pay $500,000 to Bell Aircraft Corporation on account of the above described purchase of inventories for Rototiller engines and transmissions, and to augment working capital.

At the present time your Corporation has no outstanding bank loans. Notes in the amount of $658,860 are payable to Bell Aircraft Corporation on July 10, 1948, and a further 4% note will be finally payable to Kaiser-Frazer in August 1949 on account of charges in connection with the joint operations at Willow Run prior to February 1, 1947. The amount of such note to Kaiser-Frazer is presently in arbitration.

Existing plans of your management call for the payment of the outstanding notes to Bell Aircraft and a substantial portion of the note to Kaiser-Frazer from cash obtained from the conversion of inventories into finished products. Present inventories are abnormally large as the result of various temporary factors, but it is believed that they will be reduced to normal levels by the end of 1948.
SALES AND EARNINGS

There is submitted herewith the consolidated balance sheet of the Corporation and its subsidiaries as at December 31, 1947, together with consolidated statements of income and surplus for the year ended on that date, as certified by Messrs. Haskins & Sells, independent public accountants.

Such financial statements show a net profit for 1947 of $123,766.23, after taking into consideration a net capital gain of $280,086.56 from the sale of securities. This compares with a net loss of $4,357,542 for the year ended December 31, 1946. Net sales for 1947 were $13,389,620, compared with the net sales of $11,513,576 for 1946.

While it had been anticipated that the net profit for 1947 would be larger, it must be remembered that the figures include very substantial non-recurrent charges resulting from automotive losses in January, revision of the sales organization, removal of operations to York, and the unexpected seasonal lag in sales. It should also be pointed out that the Corporation has not yet received any dividends on its substantial investment in Kaiser-Frazer.

OUTLOOK

As reflected by your Corporation’s sales experience in 1947, the seasonal pattern characteristic of the farm implement business is now returning after its temporary post-war distortion. Nevertheless, demand for mechanical equipment is strong. Our line of products has been strengthened as previously described and our dealer organization markedly improved.

In addition, your Corporation will continue to share in the progress achieved by Kaiser-Frazer in the automotive field. The market for automobiles remains large, and we look with confidence to further appreciation of your investment in Kaiser-Frazer.

Respectfully submitted,

J. W. [signature]
Chairman and President
# GRAHAM-PAIGE MOTORS CORPORATION

## Consolidated Balance Sheet

### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and demand deposits</td>
<td>$ 766,445.22</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>$ 161,230.22</td>
</tr>
<tr>
<td>Advances to vendors</td>
<td>139,477.66</td>
</tr>
<tr>
<td>Sundry, including $10,825.30 officers and employees</td>
<td>39,628.12</td>
</tr>
<tr>
<td>Total</td>
<td>$ 340,336.00</td>
</tr>
<tr>
<td>Less reserves for losses</td>
<td>8,995.00</td>
</tr>
<tr>
<td>Accounts receivable—net</td>
<td>331,341.00</td>
</tr>
<tr>
<td>Inventories—at cost (Note 3):</td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td>$ 271,156.50</td>
</tr>
<tr>
<td>Raw materials, parts, and supplies</td>
<td>2,976,179.92</td>
</tr>
<tr>
<td>Total inventories</td>
<td>3,247,336.42</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$ 4,345,122.64</td>
</tr>
<tr>
<td><strong>Investments and Miscellaneous Receivables:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital stocks of other companies (Note 4):</td>
<td></td>
</tr>
<tr>
<td>Kaiser-Frazer Corporation (partly pledged)</td>
<td>$4,847,224.06</td>
</tr>
<tr>
<td>Rototiller, Inc. (pledged)</td>
<td>50,000.00</td>
</tr>
<tr>
<td>Real estate not used in the business</td>
<td>53,909.02</td>
</tr>
<tr>
<td>Claims against United States Government resulting from accelerated</td>
<td>33,193.77</td>
</tr>
<tr>
<td>amortization of emergency facilities</td>
<td></td>
</tr>
<tr>
<td>Cash on deposit with trustee for purchase of debentures</td>
<td>210.05</td>
</tr>
<tr>
<td>Other</td>
<td>1.00</td>
</tr>
<tr>
<td>Total investments and miscellaneous receivables</td>
<td>4,984,537.90</td>
</tr>
<tr>
<td><strong>Property—At cost:</strong></td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>$ 189,398.63</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>168,927.52</td>
</tr>
<tr>
<td>Automobiles</td>
<td>44,323.63</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>71,643.71</td>
</tr>
<tr>
<td>Total</td>
<td>$ 474,293.49</td>
</tr>
<tr>
<td>Less reserves for depreciation</td>
<td>136,582.26</td>
</tr>
<tr>
<td>Net</td>
<td>$ 337,711.23</td>
</tr>
<tr>
<td>Special tools, dies, jigs, and fixtures (less reserves for amortization, $270,903.44)</td>
<td>221,720.73</td>
</tr>
<tr>
<td>Net property</td>
<td>559,432.01</td>
</tr>
<tr>
<td><strong>Deferred Charges (Note 5):</strong></td>
<td></td>
</tr>
<tr>
<td>Designing, development, and engineering costs (less amortization, $149,791.98)</td>
<td>$ 678,173.41</td>
</tr>
<tr>
<td>Manufacturing rights of Rototiller riding model</td>
<td>25,000.00</td>
</tr>
<tr>
<td>Deferred moving expenses (less amortization, $27,987.28)</td>
<td>139,936.54</td>
</tr>
<tr>
<td>Prepaid insurance, taxes, etc.</td>
<td>25,090.02</td>
</tr>
<tr>
<td>Total deferred charges</td>
<td>868,199.97</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10,757,292.52</td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of this statement.
### Liabilities

**Current Liabilities:**

<table>
<thead>
<tr>
<th>Notes payable:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Aircraft Corporation (Notes 4 and 6)</td>
<td>$ 658,360.00</td>
<td></td>
</tr>
<tr>
<td>Banks (Note 4)</td>
<td>282,669.65</td>
<td>$ 941,529.65</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accounts payable (Note 7):</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>$ 316,721.20</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>37,683.99</td>
<td>354,405.19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liability for funds withheld from employees for Federal income taxes</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal income taxes (Note 8)</td>
<td></td>
<td>6,957.42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accrued accounts:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payrolls</td>
<td>$ 12,500.21</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>42,100.73</td>
<td></td>
</tr>
<tr>
<td>Taxes, other than Federal income</td>
<td>11,332.36</td>
<td></td>
</tr>
<tr>
<td>Royalties</td>
<td>84,785.60</td>
<td></td>
</tr>
<tr>
<td>Legal and other professional fees</td>
<td>183,017.57</td>
<td></td>
</tr>
<tr>
<td>Sundry</td>
<td>2,937.72</td>
<td>336,674.19</td>
</tr>
</tbody>
</table>

**Total current liabilities:** | $ 1,649,260.85 |

**Due to Kaiser-Frazer Corporation (Note 7):** | 760,529.57 |

**4% Convertible Debentures, Due April 1, 1956, Outstanding $8,524,000 (Note 11):** |

### Capital Stock and Surplus:

**Capital Stock:**

- 5% cumulative preferred stock A, par value $50 per share (authorized and outstanding, 1,343 shares) (Note 9) | $ 67,150.00 |
- 5% convertible preferred stock, cumulative, par value $25 per share (authorized, 215,621 shares; outstanding, 72,299 shares) (Note 9) | 1,807,475.00 |
- Common stock, par value $1 per share (authorized, 6,000,000 shares; reserved for issuance in exchange for 5% convertible preferred stock, 216,897 shares, and for 4% convertible debentures, 655,693 shares; outstanding, 5,127,410 shares) | 5,127,110.00 |

**Total capital stock** | $7,002,035.00 |

**Surplus, per accompanying statements of surplus:**

- Capital surplus | $4,066,207.57 |
- Earned surplus ((D) = Deficit) from January 1, 1944 (Note 10) | ($)2,553,728.03 |
- Net surplus | $1,512,479.54 |

**Less commission and expenses in connection with sale of 5% convertible preferred stock (Note 9):** | 167,012.44 |

**Remainder** | 1,345,467.10 |

**Total capital stock and surplus** | 8,347,502.10 |

**Total** | $10,757,292.52 |

The accompanying Notes to Financial Statements are an integral part of this statement.
# Consolidated Statement of Income

**FOR THE YEAR ENDED DECEMBER 31, 1947**

## Income:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales, less returns and allowances (Note 1)</td>
<td>$13,389,620.42</td>
</tr>
<tr>
<td>Cash discounts on purchases</td>
<td>13,684.81</td>
</tr>
<tr>
<td>Dividends received</td>
<td>28,000.00</td>
</tr>
<tr>
<td>Profit on disposals of depreciable property (net)</td>
<td>5,195.14</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>45,500.89</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,482,001.26</strong></td>
</tr>
</tbody>
</table>

## Less:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>$11,780,930.33</td>
</tr>
<tr>
<td>Selling, administrative, engineering, and general expenses</td>
<td>1,730,224.28</td>
</tr>
<tr>
<td>Interest expense</td>
<td>109,914.89</td>
</tr>
<tr>
<td>Amortization of commission and expenses relating to 4% convertible debentures, due April 1, 1956 (Note 5)</td>
<td>3,246.18</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>14,005.41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,638,321.09</strong></td>
</tr>
</tbody>
</table>

**Net Loss Before Profit and Loss From Sales of Investments:**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ 156,319.83</strong></td>
</tr>
</tbody>
</table>

## Profit and Loss from Sales of Investments:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit on sale of portion of investment in capital stock of Kaiser-Frazer Corporation (Note 4)</td>
<td>$ 434,787.86</td>
</tr>
<tr>
<td>Loss on sale of capital stock of Portsmouth Steel Corporation</td>
<td>154,701.30</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>280,086.56</strong></td>
</tr>
</tbody>
</table>

**Net Income for the Year:**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ 123,766.73</strong></td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of this statement.
### Consolidated Statements of Surplus

FOR THE YEAR ENDED DECEMBER 31, 1947

**CAPITAL SURPLUS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1, 1947</td>
<td>$3,039,185.72</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
</tr>
<tr>
<td>Excess of par value of 5% convertible preferred stock over par value of common stock issued in exchange therefor</td>
<td>$104,566.00</td>
</tr>
<tr>
<td>Excess of proceeds (less commission and expenses) over par value of 233,320 shares of common stock sold</td>
<td>$933,435.38</td>
</tr>
<tr>
<td>Total</td>
<td>$4,077,187.10</td>
</tr>
</tbody>
</table>

Deduction—Pro-rata proportion of commission and expenses in connection with sale of 200,000 shares of 5% convertible preferred stock, charged to capital surplus on the basis of the number of shares converted to the total number of such shares issued (Note 5) | $10,979.53 |

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 1947</td>
<td>$4,066,207.57</td>
</tr>
</tbody>
</table>

**EARNED SURPLUS (DEFICIT) FROM JANUARY 1, 1944:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1, 1947 (Deficit)</td>
<td>$2,478,260.60</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
</tr>
<tr>
<td>Unamortized balance of commission and expenses applicable to 4% convertible debentures, due April 1, 1956, assumed by Kaiser-Frazer Corporation (Note 5)</td>
<td>$357,079.59</td>
</tr>
<tr>
<td>Federal income tax applicable to the year 1943</td>
<td>$9,694.40</td>
</tr>
<tr>
<td>Total</td>
<td>$2,845,034.59</td>
</tr>
</tbody>
</table>

**Deductions:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income for the year ended December 31, 1947</td>
<td>$123,766.73</td>
</tr>
<tr>
<td>Adjustments arising from sale in 1946 of stock of Warren City Manufacturing Company (formerly a wholly-owned subsidiary):</td>
<td></td>
</tr>
<tr>
<td>Excess of face value ($249,140.51) of promissory note of Federal Machine and Welder Company received on sale of stock of Warren City Manufacturing Company over advances made in 1946</td>
<td>$206,231.40</td>
</tr>
<tr>
<td>Recovery from certain individuals in connection with sale of stock of Warren City Manufacturing Company</td>
<td>$11,362.28</td>
</tr>
<tr>
<td>Total</td>
<td>$217,593.68</td>
</tr>
<tr>
<td>Less discount and expenses on sale of note of The Federal Machine and Welder Company</td>
<td></td>
</tr>
<tr>
<td>$50,053.85</td>
<td>$167,539.83</td>
</tr>
<tr>
<td>Total</td>
<td>$291,306.56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, December 31, 1947 (Deficit)</td>
<td>$2,553,728.03</td>
</tr>
<tr>
<td>Net surplus</td>
<td>$1,512,479.54</td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of the above statements.
1. Operations

As of January 31, 1947 the automobile business which had been con-
ducted under joint operations agreements with Kaiser-Frazer Cor-
poration was disposed of by sale or transfer to that company, as more
fully set forth in Note 2. The operations for the year ended Decem-
ber 31, 1947, therefore, include only one month of automobile
business.

Beginning in July 1946 plant equipment and inventories relating to the
manufacture of farm implements were moved from Willow Run, Michi-
gan, where operations had been conducted up to that time, to
York, Pennsylvania where a plant has been leased for a term of
ten years commencing June 15, 1947. Manufacturing operations at
Willow Run ceased on July 13, 1947 and were resumed at York in
the latter part of the year.

2. Sale of Automotive Assets

Under date of December 12, 1946 the Corporation entered into an
agreement with Kaiser-Frazer Corporation whereby it agreed, among
other things, to sell and/or transfer to that company as of January
31, 1947 (1) all of the automotive assets owned by the Corporation
and its wholly-owned subsidiaries, (2) all accounts receivable aris-
ing out of the automobile business; (3) the sum of $3,000,000; and
(4) an amount equal to $1,250,000 plus amounts of automotive
accounts payable and less automotive accounts receivable. In con-
consideration of this, Kaiser-Frazer Corporation as of January 31,
1947 (1) pay principal and interest on the Corporation’s $8,524,000
principal amount of 4½% convertible debentures, due April 1, 1954;
(2) issue 750,000 shares of its common stock to the Corporation; and
(3) assume all of the Corporation’s liabilities which arise out of the
automobile business at Willow Run. The agreement also pro-
vided that the 750,000 shares of Kaiser-Frazer Corporation common
stock to be issued by the Corporation would be placed for two and
one-half years in a voting trust of which Mr. Henry J. Kaiser and
Mr. Joseph W. Frazer are voting trustees. The agreement was
approved by the Corporation’s stockholders at a meeting held Febru-
ary 13, 1947, and the sale and transfer were completed on February
10, 1947, subject to later adjustments.

The transaction as consummated is summarized as follows:

<table>
<thead>
<tr>
<th>Assets transferred:</th>
<th>$4,293,302.48</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net current assets (including $4,170,177.82 cash)</td>
<td>208,005.17</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>6,185,735.94</td>
</tr>
<tr>
<td>Deferred assets—advertising, design, development, and engineering costs, etc.</td>
<td>737,654.61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,462,685.20</strong></td>
</tr>
<tr>
<td>Deduct—4½% convertible debentures, due April 1, 1954 (principal amount), to be paid by Kaiser-Frazer Corporation</td>
<td>$3,234,000.00</td>
</tr>
<tr>
<td>Value assigned to 750,000 shares of Kaiser-Frazer Corporation common stock received by Graham Bros Corporation</td>
<td>$2,918,685.20</td>
</tr>
</tbody>
</table>

3. Inventories

Raw materials, parts, and supplies reflected in the accompanying bal-
ance sheet in the amount of $2,976,179.02 include $1,231,154.29
for the inventories acquired from Bell Aircraft Corporation (Note 6). As
the result of the acquisition of inventories from Bell Aircraft Cor-
poration, certain light-factors, inventories of certain light-factors,
and certain principal parts were in excess of normal requirements. How-
ever, management anticipates that such inventories will be fully processed
during the year 1948 and that no provision for possible losses is
required.

4. Investments

The investment of $4,847,224.05 in Kaiser-Frazer Corporation at De-
cember 31, 1947 consisted of 277,666 shares of common stock of that
company and voting trust certificates for 270,000 shares. 260,000
shares were purchased for $2,680,000 cash and the remaining 55,000
shares, carried at $3,147,224.05, were acquired in connection with
the sale of the automotive assets, as set forth in Note 2. Accord-
ing to information received, such shares constituted slightly
less than 10% of the outstanding stock of Kaiser-Frazer Corporation
at December 31, 1947. The amount at which they are carried is
substantially less than the Corporation’s equity in the net assets
of Kaiser-Frazer Corporation as shown by that company’s books at
that date, and also less than the value based on market quotations for
that date. At December 31, 1947, 230,000 shares were pledged as collat-
eral for the 4½% convertible debentures, due April 1, 1956 (assumed
by Kaiser-Frazer Corporation). The 250,000 shares of Kaiser-Frazer
Corporation (Note 6), and 200,000 (V.T.C.) and 25,000 shares were
pledged under bank loans, together with the entire outstanding
capital stock of Kaiser-Frazer Farm Equipment Corporation (wholly-owned subsidiary), owned at $500,000. Despite the
large increase in the market price of the stock that have since been paid in full, and the securities thus pledged have been
reposed.

5. Deferred Charges

Deferred design, development, and engineering costs, applicable to
the walking model Rottrotler farm implements, are being amortized
on a unit basis over the estimated model period. The manufacturing
rights of the Rottrotter model will be amortized over the period of
the license agreement with Rottrotter, Inc. starting with the first
production of this model. It was the practice to date of sale of
automotive assets that the Corporation deferred certain
expressing, development, and engineering costs applicable to automobiles on the
basis of units of construction. The amortization balance at January
31, 1947 was treated by the Corporation as one of the assets trans-
ferred to Kaiser-Frazer Corporation.

Expenses in connection with the moving of equipment, inventories, etc.,
from Willow Run, Michigan, to York, Pennsylvania are being amor-
tized over a three month period ending with the move to the new location.

Commencement of operations in the sale of 4½% convertible debentures
on April 1, 1956 were, up to the time of the assump-
tions of the debentures by Kaiser-Frazer Corporation (January
31, 1947), being amortized by charges to income over the life of the
debentures, or by charges sustained in the event of the portion applicable
to debentures purchased and repaid. The unamortized balance at
January 31, 1947, $557,079.59, was written off against earned surplus.

6. Notes Payable—Bell Aircraft Corporation

By agreement dated October 28, 1947, the Corporation and Bell Air-
craft Corporation terminated purchases pursuant to which the latter manufactured engines and transmissions for the
Rottrotter farm implements of the Corporation. Under the agree-
ment the related inventory which Bell Aircraft Corporation had on
hand was acquired for a consideration of $1,254,970 (in addition,
certain other charges were borne by the Corporation).

The Corporation paid $76,110 of the purchase price in cash and gave
promissory notes for $1,118,860. At December 31, 1947 there re-
mained unpaid a note due in July 1948 for $560,000, bearing inter-
est at the rate of 2½% per annum and secured by the pledge of voting
trust certificates in respect of 230,000 shares of Kaiser-Frazer Corporation (Note 4), and an unsecured note due on
the same date, without interest for $188,860.

7. Due to Kaiser-Frazer Corporation

The liability of $750,339.57 at December 31, 1947, for which the Corpo-
ration is to issue notes, represents charges by Kaiser-Frazer Corpora-
tion in connection with the Corporation’s automobile and farm
equipment operations at the Willow Run plant prior to February 1, 1947 and the balance owing to Kaiser-Frazer Corporation under the
agreement providing for the use of automotive assets to that company. Such notes when issued are to bear interest at the rate of 4½% per annum and are to mature in August 1948; however, the due date may be extended for one year by the Corpo-
ration and for that reason the obligation has been excluded from cur-
rent liabilities. By agreement dated August 3, 1947, the Corporation agreed to apay 2½% of its net monthly earnings, commencing with the
exempts of October 1947, to the reduction of the outstanding amount of such notes. The Corporation has agreed that so long as
any part of the principal or interest of the notes remains unpaid it
will not declare any dividends or make any other distributions to its
stockholders.

In connection with the joint operations at the Willow Run plant prior to
February 1, 1947 certain salaries, wages and fringe benefits paid to
Kaiser-Frazer Corporation during the period from the date of the
agreement and Kaiser-Frazer Corporation involving interpretation of agree-
ments and the accounting for joint operations expenses, as a result of which the Corporation has refused to accept
charges from Kaiser-Frazer Corporation aggregating approximately
$560,000. The disputed items have been submitted to arbitration for final determination. (See Note 11). All items listed
in the preceding paragraph for any amounts which finally are deter-
mined to be owing to Kaiser-Frazer Corporation.

8. Federal Income Taxes

Federal income tax returns have been reviewed up to and including the
year 1946 and an examiner’s report indicates an additional liability

In August 1947 the Corporation sold 155,000 shares (V.T.C.) of Kaiser-Frazer Corporation stock which were released from the voting
treaty agreement (of which 100,000 shares were sold to Permanent
Metals Corporation, a company controlled by Henry J. Kaiser in
interests) at $6.75 a share, the proceeds amounting to $1,046,250. The
cost of the shares sold was determined on the basis of the price paid
and to the 750,000 shares commented upon in Note 2, resulting in
the gain of $43,787.86 shown in the accompanying statement of
income.

In connection with the acquisition of manufacturing and selling rights
for the Rottrotter walking model, the Corporation purchased 500
shares of the non-cumulative preferred stock of Rottrotter, Inc. at a
cost of $50,000. At December 31, 1947 this stock was held by Rote-
rotter, Inc. as security for performance by the Corporation under the
agreements entered into, particularly the requirement that the Cor-
poration produce a minimum of walking model Rottrotter
within the period of the agreement.
of $9,694.46 for the year 1943 which has been recorded on the books in 1947.

In recording the sale of automotive assets to Kaiser-Frazer Corporation in 1947, no gain or loss was recognized on the transaction, with the result that the 790,000 shares of common stock of Kaiser-Frazer Corporation received were recorded at the value set forth in Note 2. Should it be finally determined that a higher value should be assigned to this stock for tax purposes it would result in taxable income to the extent of the additional value assigned less the portion of such additional value applicable to the 155,000 shares sold in 1947 (Note 4). However, in that event the Corporation has a substantial carry forward loss from 1946 which could be applied as an offset or reduction of such taxable income. Until such final determination it cannot be stated whether there may be an additional net tax liability.

No provision has been made for Federal income tax for the year 1947 as the consolidated operations for that period, together with the earned surplus charge for unamortized balance of commission and expenses applicable to bonds assumed by Kaiser-Frazer Corporation, resulted in no taxable income.

9. Redemption and Conversion of Preferred Stock and Accrued Dividends

The 5% cumulative preferred stock of the Companies is convertible, at the option of the holders, into shares of common stock of the present basis of three shares of common for each share of preferred. If all the shares outstanding at December 31, 1947 had been redeemed, the premium, chargeable to surplus, would have aggregated $184,105. Undeclared and unpaid accumulated dividends on the outstanding preferred shares amounted to approximately $335,000 at December 31, 1947.

The balance of commission and expenses in connection with the sale of 5% convertible preferred stock in 1945, shown in the accompanying balance sheets in the amount of $167,012.46, will be charged to capital surplus and form the common stock of each preferred stock of the Corporation on a pro-rata basis. Thus shares are converted; $78,249.77 was thus charged in the year 1945, $207,763.13 in the year 1946, and $10,079.35 in the year 1947.

10. Dividend Restrictions

The Corporation at December 31, 1947 was restricted from making payment of dividends or other distributions to stockholders because of provisions contained in the articles of incorporation, the indenture relating to the 4% convertible debentures assumed by Kaiser-Frazer Corporation, and the agreements with Kaiser-Frazer Corporation relating to the sale of the Corporation's automotive assets.

11. Contingent Liabilities

The Corporation has outstanding $8,524,000 principal amount of its 4% convertible debentures, due April 1, 1956. Pursuant to the Sale Agreement, dated December 12, 1946, between the Corporation and Kaiser-Frazer Corporation (Note 2), the latter has undertaken to pay the principal of, interest on, and expenses incidental to such outstanding debentures. In the event of default by Kaiser-Frazer Corporation, however, Graham-Paige Motors Corporation remains liable to make such payments.

The Corporation has commitments for the purchase of materials aggregating approximately $1,900,000.

The Corporation has been informed that members of the staff of the Securities and Exchange Commission are of the opinion that the Corporation violated the Securities Act of 1933, as amended, by selling between July and October, 1947, 100,000 shares of common stock of Portsmouth Steel Corporation and 4,000 shares of common stock of Kaiser-Frazer Corporation without registration under said Act. The Corporation does not believe that such sales constituted any violation of the Act. In the event that it be finally determined that such violation exists, however, the Corporation will be subject to the provisions of Section 12 of the Act which provides that for one year from the date of the respective sales the Corporation will be liable to the purchasers, who may recover the consideration paid with interest thereon, less the amount of any income received thereon, upon tender of the stock, or damage, if the stock has been sold. The maximum liability of the Corporation under such provision would be the aggregate purchase price paid by the purchasers (approximately $1,710,792), plus interest, in the event that the common stock of Portsmouth Steel Corporation and Kaiser-Frazer Corporation should cease to have any value at all.

Three derivative stockholders' actions have been brought in the name of the Corporation against certain present and past directors in respect of the acquisition by the Corporation in August 1944 of Warren City Manufacturing Company. Two actions have been commenced against the Corporation for real estate leases. In the event that the lease for the property of the Corporation against certain property in May 1946. A supplier has commenced action against the Corporation for alleged breach of contract. The action is pending at the present time.

An action has been filed by a stockholder of Kaiser-Frazer Corporation against said corporation, the Corporation, and others in which it is claimed that certain amounts are due Kaiser-Frazer Corporation as the result of various transactions, including the transaction set forth in Note 2. The Corporation has not yet been served in this action.

Reference is made to Note 7 relating to possible indebtedness to Kaiser-Frazer Corporation which is presently under arbitration, and Note 8 relating to Federal income taxes.

Auditors' Certificate

HAZKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors,
Graham-Paige Motors Corporation.
1710 Broadway
New York, N. Y.

We have examined the consolidated balance sheet of Graham-Paige Motors Corporation and its subsidiary companies as of December 31, 1947 and the related consolidated statements of income and surplus for the year ended that date. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, with their footnotes, present fairly the financial condition of the companies at December 31, 1947 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 15, 1948
The new Jaques-Frazer Model T tractor challenges the age-old conception that a practical farm tractor must be heavy, high-powered and expensive. Utilizing high torque this unique tractor combines low initial cost and economy of operation with the highest standard of performance.

Weighing only 1,020 pounds, the Jaques-Frazer has the power to pull conventional farm implements or with its rotary tiller attachment it can prepare more ground in less time than a conventional tractor pulling two 12-inch plows. It will do its work cheaper because it burns only one to three gallons of gasoline per hour. An ingenious converter adds further savings by permitting use of cheap kerosene after a gasoline warmup.

Small, light and highly maneuverable, this new tractor is perfectly adapted to the small farm, yet its rugged six-horsepower motor, teamed with a six-speeds-forward transmission, makes it equally valuable on large acreages. A pony in size and economy, the Jaques-Frazer is a draft horse in performance. A full line of conventional implements including disc plow, disc harrow, rotary scraper, gang and turning plows, field mower, snowplow-bulldozer blade, trailer and planter add to its versatility.
"Model T" Tractor

Premiere Showing

Indicative of the market eagerly awaiting the Jaques-Frazer tractor, this photo shows some of the more than 9000 prospective customers who jammed the Waldorf-Astoria in New York City during the premiere on February 7-8, 1948. Equally enthusiastic distributors and dealers immediately placed orders during the exhibition while hundreds of inquiries poured into the company’s offices from all parts of the world — a convincing demonstration that this new, revolutionary tractor is destined to fill a long-felt need.

Capitalizing on the interest aroused at its introduction, the tractor was again featured in the Graham-Paige exhibit at New York’s famed International Flower Show in Grand Central Palace, attended daily by more than 20,000 gardeners, florists and nurserymen.
A Tractor of Multiple Use...

Clearing its own way through heavy snow while pulling a log-laden trailer is light work for the sure-footed, powerful Jaques-Frazer!

The double-duty snowplow also proves invaluable in grading, terracing and all earthmoving operations.

Full power for pulling this two-section, eight-disc harrow is available through the tractor's high torque and six-speed transmission.

Tough Texas soil turns like butter as the rugged Jaques-Frazer tractor pulls a full 16-inch disc plow through its matted sod.

Cutting a ready-to-plant 26-inch swath, the Jaques-Frazer tractor with rotary tiller attachment saves valuable planting time by preparing a perfect seedbed in one operation—requires no discing or harrowing.
The new model Rototiller now being displayed by dealers throughout the country incorporates the same qualities of sturdiness, dependability and versatility that won 40,000 loyal and satisfied users for its predecessor, but also has new features that make it more than ever the "Power Tiller of a Hundred Uses." New hub clutches add maneuverability and greater ease of handling, and improved reverse gear gives additional mobility. Favoring thousands of America's most expert and most critical growers — nurserymen and florists who require and obtain the best — the Rototiller is also winning friends and increasing production on thousands of subsistence farms, community gardens, orchards, poultry farms, and similar operations where its time- and labor-saving advantages have gained wide recognition. With its host of useful attachments the Rototiller is, in reality, a "mechanical hired man" ready and willing to deliver high performance every day, in every season.
Usefulness of the Rototiller is multiplied by harnessing its powerful six-horsepower motor to a host of chore-performing attachments that cut down on work, save valuable time and make possible better workmanship and added profits. Some of the latest and most useful of these are shown on this page.

Converted into a portable saw, the only one with direct drive, the Rototiller takes to the woods. The blade can operate horizontally to fell trees and vertically to cut them into logs.

Fitting the same framework as the power saw, this heavy-duty post-hole digger digs a 9-inch hole 3 feet deep in 60 seconds.

With this power-takeoff belt pulley, available in V or flat type, the sturdy, dependable Rototiller engine can power cement mixers, hammer mills and other useful machines.

Time and labor-saving, this unique furrower can be used while tilling, leaving a furrow ready-made for planting potatoes and similar crops.

Highly efficient and dependable in operation, this newly-developed two-row seeder simplifies planting and assures proper seed distribution.

One of the most useful attachments, the heavy-duty sickle bar is ideal for cutting corn stalks, tall weeds or hay.

**ROTOTILLER Production Line**
New home of Graham-Paige's farm equipment operations is this modernized plant occupying a six-acre site at York, Pennsylvania, in the heart of the nation's richest agricultural region. Providing nearly 100,000 square feet of working space, the new plant is compact, efficient and convenient to most major market areas. Rototillers can now be produced on a production line three times longer than that at Willow Run, and facilities have recently been established for assembling engines for both Rototillers and Jaques-Frazer Tractors. Adjoining the plant is a 39-acre experimental farm where new engineering developments are constantly tested under actual working conditions and new techniques in scientific agriculture are thoroughly studied.
NOTICE OF SPECIAL (in lieu of Annual) MEETING OF STOCKHOLDERS

Notice is hereby given that a Special (in lieu of Annual) Meeting of Stockholders of Graham-Paige Motors Corporation will be held at the offices of the Corporation, 1400 Olds Tower Building, Lansing, Michigan, on Tuesday, May 11, 1948, at 10:00 o'clock in the forenoon, for the following purposes:

1. To elect a Board of Directors consisting of seven directors, to hold office for the ensuing year or until their successors are elected and qualified.

2. To authorize the reduction of the capital stock of the Corporation, as required by Michigan law, by the elimination therefrom of 43,322 shares of 5% Convertible Preferred Stock which have been converted into Common Stock and which may not be reissued.

3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on Monday, April 5, 1948, will be entitled to notice of and to vote at said meeting.

If you do not expect to be present at the meeting and desire to have your shares voted thereat, please date and execute the enclosed proxy and return it promptly in the enclosed envelope. No postage is required if mailed within the United States.

By Order of the Board of Directors,

Secretary.

Dated: April 5, 1948.

PROXY STATEMENT

This Proxy Statement is furnished to the stockholders of Graham-Paige Motors Corporation (herein sometimes referred to as the Corporation) in connection with a Special (in lieu of Annual) Meeting of Stockholders of the Corporation to be held at the offices of the Corporation, 1400 Olds Tower Building, Lansing, Michigan, on Tuesday, May 11, 1948, at 10:00 o'clock in the forenoon. The annual report of the Corporation for the year 1947, including financial statements, is enclosed herewith.

The proxy accompanying this Proxy Statement is solicited by or in behalf of the management of the Corporation for use at such meeting and any adjournment or adjournments thereof. Each proxy delivered pursuant to this solicitation is revocable at the option of the person executing the same at any time prior to the voting thereof.

All expenses in connection with this solicitation will be borne by the Corporation. It is expected that the solicitation will be made primarily by mail, but not in excess of three regular employees of the Corporation, who will receive no extra compensation therefor, may also solicit proxies by telephone, telegraph and in person and arrange for brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals at the expense of the Corporation. It is estimated that the cost of solicitation other than by mail, if any, will not exceed $2,000.

The voting securities of the Corporation outstanding on March 10, 1948 consisted of the following:

1,343 shares of 5% Cumulative Preferred Stock A, Par Value $50 Per Share, entitled to 50 votes per share;

72,299 shares of 5% Convertible Preferred Stock, Cumulative (Par Value $25 Per Share), entitled to one vote per share; and

5,127,410 shares of Common Stock, Par Value $1 Per Share, entitled to one vote per share.

All stockholders have cumulative voting rights in respect of the election of directors.
Election of Directors

Action will be taken at the meeting to elect a Board of Directors consisting of seven directors, to hold office for the ensuing year or until their successors are elected and qualified. It is intended that votes will be cast pursuant to the proxies for the election of the following nominees, who constitute the present Board of Directors:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Occupation or Employment</th>
<th>Has Served as Director Since</th>
<th>No. of Shares of Common Stock</th>
<th>No. of Shares of 5% Convertible Preferred Stock</th>
<th>Amount of Securities of Corporation Beneficially Owned, Directly or Indirectly, on March 10, 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>John L. Cotter</td>
<td>Vice President and General Manager, Bowen Products Corporation, manufacturer of lubricating devices, stampings and coined parts</td>
<td>1946</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>William M. Flook</td>
<td>President, Rubatex Products, Inc., owner and licensor of patents regarding rubber products</td>
<td>1946</td>
<td>100</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>Joseph W. Frazer</td>
<td>President of the Corporation and its subsidiaries and of Kaiser-Frazer Corporation and its subsidiaries</td>
<td>1944</td>
<td>29,000</td>
<td>none</td>
<td>$80,000</td>
</tr>
<tr>
<td>F. L. Hopkinson</td>
<td>Executive Vice President of the Corporation and its subsidiaries</td>
<td>1947</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>William M. Jennings</td>
<td>Associate of Simpson Thacher &amp; Bartlett, legal counsel for the Corporation</td>
<td>1947</td>
<td>none</td>
<td>none</td>
<td>none</td>
</tr>
<tr>
<td>O. B. Motter</td>
<td>Vice President of the Corporation and its subsidiaries and of Kaiser-Frazer Corporation and its subsidiaries</td>
<td>1947</td>
<td>400</td>
<td>100</td>
<td>$33,000</td>
</tr>
<tr>
<td>D. Fraser Sullivan</td>
<td>Manufacturer's representative for Hydro Manufacturing Company, manufacturer of stampings, and Dura Company, manufacturer of automobile hardware.</td>
<td>1946</td>
<td>205</td>
<td>none</td>
<td>none</td>
</tr>
</tbody>
</table>

The following table sets forth the aggregate amounts paid or set aside, directly or indirectly, by the Corporation and its subsidiaries during the fiscal year ended December 31, 1947, to or for the benefit of all persons, as a group, who were directors or officers of the Corporation at any time during such fiscal year:

<table>
<thead>
<tr>
<th>Fees and Salaries of Directors and Officers as Such</th>
<th>Bonuses and Shares in Profit Paid to Directors and Officers</th>
<th>Pension, Retirement, etc. Payments for Benefit of Directors and Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$154,768.15</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Joseph W. Frazer received from the Corporation and its subsidiaries, directly or indirectly, aggregate remuneration of $60,000.00 during the fiscal year ended December 31, 1947. During the same period, the aggregate remuneration of F. L. Hopkinson was $22,355.77. The amount thus received by Mr. Frazer exceeded his aggregate remuneration for 1946 by $6,458.34 due to the fact that he commenced to receive his present rate of compensation on June 1, 1946. Mr. Hopkinson was not employed by, and received no remuneration from, the Corporation and its subsidiaries during 1946.

The amounts of remuneration set forth in the two preceding paragraphs do not include nominal payments made by the Corporation to its group life and accident insurance policy in behalf of directors and officers.

Certain Transactions With Directors, Officers and Their Associates

The Corporation owns 845,000 shares, or 18.52%, of the presently outstanding Common Stock of Kaiser-Frazer Corporation (hereinafter called Kaiser-Frazer). 570,000 of such shares have been placed in a voting trust, which expires August 10, 1949 and of which Joseph W. Frazer and Henry J. Kaiser
are voting trustees. Joseph W. Frazer is President and a director of Kaiser-Frazer, and O. B. Motter is Vice President and a director thereof. Prior to February 1, 1947, certain other persons who were then officers of the Corporation were also officers and/or directors of Kaiser-Frazer. Mr. Frazer and Mr. Motter devote approximately 50% of their time to the operations of the Corporation.

During 1946 and until February 10, 1947, the Corporation and Kaiser-Frazer conducted joint operations in connection with the manufacture and distribution of their respective automobiles. Pursuant to operating agreements between the two corporations, common operating costs and expenses were ratably allocated. By agreement, dated as of December 12, 1946, between the Corporation and Kaiser-Frazer, the Corporation sold and transferred to Kaiser-Frazer on February 10, 1947 (as of February 1, 1947)

(a) all of the automotive assets of the Corporation and its wholly owned subsidiaries;
(b) all accounts receivable owing to the Corporation and its subsidiaries arising out of the automobile business of the Corporation at Willow Run, Michigan; and
(c) the sum of $4,170,177.82 in cash,
in exchange for

(a) the undertaking of Kaiser-Frazer to pay the principal of, interest on, and expenses incidental to the $8,524,000 outstanding principal amount of the Corporation's 4% Convertible Debentures, due April 1, 1956;
(b) the issuance by Kaiser-Frazer to the Corporation of 750,000 shares of Kaiser-Frazer's Common Stock (which shares were placed in a 2½ year voting trust as above stated); and
(c) the assumption by Kaiser-Frazer of all of the liabilities of the Corporation and its subsidiaries which arose out of the automobile business of the Corporation at Willow Run.

The amount of cash thus paid by the Corporation to Kaiser-Frazer was on account of the final amounts determined by the independent public accountants of the parties to be owing by the Corporation pursuant to the agreement and as a result of previous joint operations. Such accountants have since agreed that an additional $760,530 is owing by the Corporation to Kaiser-Frazer, and further amounts are in dispute and have been submitted to arbitration. As provided in the agreement, the Corporation will give Kaiser-Frazer its 4% note, finally payable on August 9, 1949, for the balance finally found to be owing. The Corporation will also pay in cash interest at the rate of 4% per annum on the amount of such note from February 10, 1947 to the date of the note. By agreement, dated August 5, 1947, the Corporation agreed to apply 25% of its net monthly earnings to the reduction of the amount of such note.

The Corporation also made use of the Willow Run plant in connection with its farm equipment operations during 1946 and until August 1, 1947. Pursuant to the joint operating agreements with Kaiser-Frazer, the Corporation reimbursed Kaiser-Frazer for the space occupied by, and services rendered to, the farm equipment operations.

During 1947 the Corporation purchased from Kaiser-Frazer at cost certain farm equipment inventories and tooling which Kaiser-Frazer had acquired in connection with a proposal, since abandoned, that Kaiser-Frazer manufacture farm equipment in its Long Beach, California, plant by arrangement with the Corporation.

The Corporation subleases from Kaiser-Frazer a portion of the office at 1710 Broadway, New York City, and pays its pro rata share of the rental and other costs of such office.

On August 1, 1947 the Corporation sold to Permanente Metals Corporation, a corporation controlled by Henry J. Kaiser interests, 100,000 shares of the Common Stock of Kaiser-Frazer at a price of $6.75 per share.

Prior to the sale of the Corporation's automotive assets, certain other corporations controlled by Henry J. Kaiser interests performed services for, and were reimbursed by, the joint automotive operations of the Corporation and Kaiser-Frazer.

The Corporation's usual form of distributor franchise for the distribution of farm equipment in the San Francisco-Oakland, California, area was held during 1947 by Henry J. Kaiser Motors, Inc., a corporation controlled by Henry J. Kaiser interests. Said corporation held a similar franchise in respect of the distribution of automobiles prior to the withdrawal of the Corporation from the automotive business.
The Corporation's usual form of dealer franchise for the distribution of farm equipment in the Stamford, Connecticut, area has been held since November 15, 1947 by Barton Motors, Inc. Said corporation held a similar franchise in respect of the distribution of automobiles prior to the withdrawal of the Corporation from the automotive business. O. B. Motter is a Vice President, and owns 33 1/3% of the outstanding stock, of Barton Motors, Inc.

D. Fraser Sullivan is manufacturer's representative for various companies which transacted business with the joint automotive operations previously conducted by the Corporation and Kaiser-Frazer. Mr. Sullivan is also associated with the insurance agency utilized by the Corporation.

William M. Jennings is an associate of Simpson Thacher & Bartlett, legal counsel for the Corporation. The Corporation has accrued $62,000 on its books to provide for services rendered by such firm during 1947.

The Corporation's usual form of distributor franchise for the distribution of farm equipment in the New York City area was held by Muntz Car Company until September 10, 1947. Said corporation held a similar franchise in respect of the distribution of automobiles prior to the withdrawal of the Corporation from the automotive business. 50% of the outstanding stock of Muntz Car Company was acquired in September 1946 by Joseph W. Frazer, Incorporated, but said corporation disposed of said shares shortly thereafter. Subsequently, Joseph W. Frazer, Incorporated entered into an agreement, since terminated, with Muntz Car Company pursuant to which Joseph W. Frazer, Incorporated agreed to lend Muntz Car Company sums up to $50,000 and to serve as financial and sales consultant, in return for 50% of the net profits of Muntz Car Company for a period of two years from September 1946. Joseph W. Frazer, O. B. Motter, W. A. MacDonald (Vice President of the Corporation until February 1, 1947), John L. Cotter and Hickman Price, Jr. (Vice President of the Corporation until February 1, 1947) owned 51%, 14%, 14%, 7%, and 7%, respectively, of the outstanding stock of Joseph W. Frazer, Incorporated. Until February 10, 1947, Muntz Car Company subleased from a subsidiary of the Corporation certain premises occupied by it at 1710 Broadway, New York City.

Reduction of Capital Stock

There will be submitted to the meeting a proposal to reduce the authorized capital stock of the Corporation by the elimination therefrom of 43,322 shares of 5% Convertible Preferred Stock which were converted into Common Stock between April 5, 1946 and March 10, 1948. Since the Articles of Incorporation, as amended, provide that shares thus converted shall not be reissued, such reduction of capital stock is required by the Michigan General Corporation Act. The vote of the holders of a majority of the shares of outstanding capital stock is required in order to effect such reduction.

Other Matters

So far as now known, there is no business other than that described above to be presented for action by the stockholders at the meeting, but it is intended that the proxies will be exercised upon any other matters and proposals that may legally come before the meeting, or any adjournment or adjournments thereof, in accordance with the discretion of the persons named therein. Such persons also reserve discretion to cast votes pursuant to the proxies for others than the above nominees for directors in the event of the disability of any of such nominees.

You are urged to be personally present at the meeting. If you cannot so attend, and wish to have your shares voted, please execute and date and return the enclosed proxy in the enclosed envelope. No postage is required if mailed within the United States.

By Order of the Board of Directors,

WILLIAM M. JENNINGS,
Secretary.

Dated: April 5, 1948.
PROXY — GRAHAM-PAIGE MOTORS CORPORATION

Revoking any such prior appointments, the undersigned hereby appoints JOSEPH W. FRAZER, F. L. HOPKINSON and O. B. MOTTER, and each of them, attorneys and agents, with full power of substitution in each of them, in the name, place and stead of the undersigned, to vote as proxy at the Special (in lieu of Annual) Meeting of Stockholders of GRAHAM-PAIGE MOTORS CORPORATION to be held at the offices of the Corporation, 1400 Olds Tower Building, Lansing, Michigan, on Tuesday, May 11, 1948, at 10:00 o'clock in the forenoon, or at any adjournment or adjournments thereof, according to the number of votes that the undersigned would be entitled to vote if personally present. A copy of the notice of said meeting, dated April 5, 1948, and a copy of the Proxy Statement, dated April 5, 1948, have been received by the undersigned. The undersigned agrees that said proxies, and each of them, may vote in favor of the proposed directors named in said Proxy Statement and for ( ) or against ( ) the proposal to authorize the reduction of the capital stock of the Corporation as required by Michigan law and provided in said Proxy Statement.

The shares represented hereby will be voted in accordance with the specification made above. The undersigned agrees that if the above ballot is not marked, said proxies, and each of them, may vote in favor of the proposal described above.

The undersigned further agrees that said proxies, and each of them, may vote, in accordance with their discretion, in respect of (a) such matters as are not known at the time of the solicitation of this proxy, and (b) the election of directors other than those named in the Proxy Statement in the event of any unforeseen emergency.

A majority of such of said attorneys and agents as may be present and act at said meeting, or any adjournment or adjournments thereof, in person or by substitute, or if only one shall be present and act then that one, shall have and may exercise all of the powers of said attorneys and agents hereunder.

Dated, , 1948.

Signature of Stockholder

Fabian A. Woodsicksa

Lake Tomahawk, Wisc.

Please date and execute this proxy and return it in the enclosed envelope.
MR. JOSEPH W. FRAZER, President
GRAHAM-PAIGE MOTORS CORP.
1710 Broadway
New York 19, N. Y.

Dear Mr. Frazer:

In order to insure early delivery I am enclosing
☐ check ☐ money order in the amount of $50.00 as down payment with balance payable on delivery or

☐ check ☐ money order in full payment for
  ☐ Rototiller @ $484.50, F.O.B. Factory
  ☐ Jaques-Frazer Tractor @ $695.00, F.O.B. Shipping Point

Please have your dealer call and demonstrate
☐ Rototiller ☐ Jaques-Frazer Tractor

NAME:...........................................................................................................

STREET or RFD.:............................................................................................

CITY:..................................STATE..............................................