FORM N-30D

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Business Address
767 THIRD AVE 5TH FL
NEW YORK NY 10017
2128886685

THIRD AVENUE VALUE FUND
ANNUAL REPORT

October 31, 1996

Transfer Agent
FPS Services, Inc.
P.O. Box 61503
King of Prussia, PA 19406-0903
(610) 239-4500
(800) 443-1021 (toll-free)

Custodian
Danielson Trust Co.
525 B Street
San Diego, CA 92101-4492

Investment Adviser
EQSF Advisers, Inc.
767 Third Avenue
New York, NY 10017-2023

Independent Accountants
Price Waterhouse LLP
1177 Avenue of the Americas
New York, NY 10036

767 Third Avenue
New York, NY 10017-2023

Phone (212) 888-6685
Toll Free (800) 443-1021
Fax (212) 888-6757
www.mjwhitman.com

Dear Fellow Shareholders:

At October 31, 1996, the audited net asset value attributable to the 23,364,688 common shares outstanding of the Third Avenue Value Fund, Inc. ("TAVF" or the "Fund") was $24.26 per share. This compares with an unaudited net asset value of $22.53 per share at July 31, 1996, and a net asset value of $20.97 at October 31, 1995, as adjusted for subsequent distributions. At December 10, 1996, the unaudited net asset value was $26.29 per share.

QUARTERLY ACTIVITY

During the fourth quarter of fiscal 1996, the Fund established new postions in 7 issues, increased its holdings of 12 issues, eliminated holdings of 3 issues, and received pay-downs of principal on 2 holdings of secured indebtedness.

PRINCIPAL AMOUNT OR NUMBER OF SHARES	
	NEW POSITIONS ACQUIRED
$4,530,821	The Money Store Home Equity Trust due 1/15/07 (Asset Backed Security Rated AAA)
$7,615,000	The Money Store Home Equity Trust due 1/15/16 (Asset Backed Security Rated AAA)
$2,635,100	Olympic Automobile Receivables Trust due 6/15/02 (Asset Backed Security Rated AAA)
200,000 shares	Applied Materials, Inc. Common Stock ("Applied Materials Common")
50,000 shares	Fischer Imaging Corp. Common Stock ("Fischer Common")
200,000 shares	KLA Instruments Corp. Common Stock ("KLA Common")
169,200 shares	Tencor Instruments Common Stock ("Tencor Common")
	INCREASES IN EXISTING POSITIONS
89,978 shares	ACMAT Corp. Class A Common Stock ("ACMAT Common")
16,000 shares	American Physicians Service Group, Inc. Common Stock ("APSG Common")
60,000 shares	Carver Bancorp, Inc. Common Stock ("Carver Common")
66,000 shares	Electro Scientific Industries, Inc. Common Stock ("ESIO Common")
425,000 shares	Electroglas, Inc. Common Stock ("Electroglas Common")
361,100 shares	FSI International, Inc. Common Stock ("FSI Common")
$2,636,000	Head Insurance Investors L.P. ("Head Investors")
72,000 shares	Liberty Financial Companies, Inc. Common Stock ("Liberty Common")
200,000 shares	Silicon Valley Group, Inc. Common Stock ("SVGI Common")
13,900 shares	Tecumseh Products Co. Class B Common Stock ("Tecumseh Common")
88,700 shares	Veeco Instruments, Inc. Common Stock ("Veeco Common")
142,700 shares	Vertex Communications Corp. Common Stock ("Vertex Common")
	POSITIONS ELIMINATED
190,000 shares	NetFRAME Systems Inc. Common Stock ("NetFRAME Common")
122,500 shares	Tricord Systems, Inc. Common Stock ("Tricord Common")
138,200 shares	United Coasts Corp. Common Stock ("United Coasts Common Stock")
	POSITIONS REDUCED
$1,300,613	Combined Investors, L.L.C. ("Combined Notes")
$ 441,844	Eljer Industries, Inc. Bank Debt ("Eljer Bank Debt")

For most of fiscal 1996, the Fund had approximately 30% of its net assets invested in credit instruments which had little or no credit risk, i.e., cash equivalents consisting mostly of treasury bills, as well as U.S. government agency guaranteed inverse floaters which had been acquired in late 1994 as a means of locking in an above-average yield to maturity. These investments serve two purposes: first, to provide a cash reserve, and second, to lock in reasonably good yields to maturity, say between 5% and 10%. While these instruments carry no credit risk, they do carry interest rate risk, market risk and, above all, opportunity cost risk, in that equity investing might have proved to be a more rewarding alternative. In holding these issues, TAVF incurs little risk that there will be a permanent impairment of capital. The Fund, however, is very much at risk in that, at any time, any of these holdings with a maturity of over one year could have an unrealized market loss. Just as with all its other investments, TAVF is rather completely concentrated on the avoidance of permanent impairment of capital. We worry hardly at all about unrealized market losses.

The Asset Backed Securities Rated AAA provide the Fund with a yield to maturity of about 6.3%, or some 120 basis points more than the treasury bills these instruments replaced. The Asset Backed Securities Rated AAA achieved AAA ratings because they are unconditionally guaranteed by either MBIA Inc. or Financial Security Assurance Holdings Ltd., two companies whose common stocks are held in the Fund's portfolio. Having a AAA rating created out of financial insurance rather than by the characteristics of the security itself is known as a synthetic AAA, to distinguish such debt obligations from natural AAAs. Generally, better yields are obtainable from acquiring synthetic AAAs than from acquiring natural AAAs. In my opinion, though, synthetic AAAs are better quality instruments than natural AAAs, albeit any AAA seems to be without credit risk.

Outside of investments in the common stocks of exceptionally well-financed semiconductor equipment manufacturers - Applied Materials, KLA, Tencor, ESIO, Electroglas, FSI, SVGI and Veeco - the Fund was relatively inactive during the fourth quarter of fiscal 1996. United Coasts was merged into a subsidiary of its parent, ACMAT. As a consequence of the merger, TAVF exchanged its holdings of United Coasts Common for additional shares of ACMAT Common. Positions in APSG Common, Carver Common, Liberty Common, Tecumseh Common, and Vertex Common were increased through open market purchases. Fischer Imaging Corp. seems to be a promising medical devices company, albeit it faces tough competition. Fischer Common seemed to have been selling at an unusually depressed price at the time TAVF purchased shares.

Insofar as it is feasible, the Fund is managed on a basis designed to minimize income tax burdens on shareholders. During the fourth quarter, long-term capital losses were realized by the sales of NetFRAME Common and Tricord Common, two companies whose operating performances have been disappointing and whose financial positions are now less strong than they were when the Fund acquired its initial positions. As a result of these tax planning measures, net realized capital gains for 1996 ought to amount to less than 15 cents per TAVF share.

During the fourth quarter, the Fund aggressively expanded its holdings of the common stocks of semiconductor equipment manufacturers. TAVF now holds 11 different issues, each of which represents an interest in a company which is extremely well-financed. Based on cost, TAVF has invested over $54 million in these issues, equal to almost 10% of net assets at October 31, with net assets valued at market. Most of these common stocks were selling at less than 10 times earnings for the 12 months ended June 30, 1996, and at less than a 50% premium over tangible book value. In terms of operations, the eleven cover some aspect of each phase involved in the manufacture of the simplest to the most complex semiconductors. At October 31, these common stocks, valued at market, accounted for about 11% of the Fund's net asset value. But there has since been a raging bull market in these issues (which I never predicted and which took me by surprise); at November 29, these issues had a market value of $79.5 million and accounted for almost 13% of Fund assets.

The highly cyclical semiconductor equipment industry is entering a down cycle which might last anywhere from two quarters to three years, or maybe even longer. However, the underlying growth trends for the industry, say, over the next three to ten years, seem to be spectacular. Not only is a "digital revolution" underway which ought to result in an exploding demand for semiconductors, but also technological innovations ought to make it necessary for chip manufacturers to reequip existing factories even if they do not build new ones.

The semiconductor equipment industry in the 1990s reminds me a lot of the automotive equipment suppliers and machine tool manufacturers in the 1940s and 1950s, when the well-capitalized and well-entrenched companies faced an outlook where very high long-term growth was likely to be tempered by periodic cyclical downturns. The common stocks of auto suppliers then sold in stock markets at the same modest price:earnings ratios versus peak earnings as existed at October 31 for semiconductor supplier common stocks.

TAVF has focused on the equipment industry rather than chip manufacturing, itself, as the vehicle of choice to participate in the "digital revolution". For this there are two reasons. First, the common stocks of semiconductor equipment manufacturers seem much more modestly priced based on relevant financial statistics. Second, the mortality rate for individual companies in the overall semiconductor industry might be large, especially since technological innovations are bound to continue to be rapid, expensive, and require loads of managerial and engineering-scientific talent. And here, I suspect that the mortality rate is likely to be higher among chip manufacturers than among equipment suppliers. Having said this, I know unfortunately that not all 11 common stocks in the Fund's portfolio will turn out to be winners. TAVF is bound to find itself with a few NetFRAMEs and Tricords within this industry group. Yet, I think most of the issues held by the Fund ought to do okay, a few ought to be huge winners, and, overall, the odds favor having very good long-term results from TAVF's portfolio of semiconductor equipment supplier common stocks.

There is also a good argument to be made that growing semiconductor equipment manufacturers very much understate earnings compared with ordinary manufacturers involved in capital intensive industries, such as the aforementioned automobile suppliers. As compared to expenditures for Research, Development and Engineering (RDE), semiconductor equipment manufacturers have quite modest capital expenditures for Property, Plant and Equipment (PPE). PPE expenditures are capitalized for accounting purposes and then depreciated via charges against periodic earnings over the estimated useful life of these fixed assets. On the other hand, RDE expenditures for semiconductor equipment manufacturers are all expensed by contemporaneous charges to the income account; none of which are capitalized, at least among the companies whose common stocks TAVF acquired in 1996. From a non-accounting, economic point of view, it seems to me that RDE expenditures by entrenched, growing semiconductor manufacturers are quite similar to capital expenditures for other manufacturers, e.g., auto suppliers, steel producers or aluminum fabricators. The purpose of both types of expenditures are to give a company resources it can use to create future cash flows or earnings.

It is probably coincidence, but it seems as if TAVF, at least once a year, makes concentrated investments in a depressed area. This year, the group consists of semiconductor equipment common stocks. In 1995, it was Kmart debt instruments; in 1994, it was Inverse Floaters; and in 1993, it was financial insurance company common stocks. So far, so good, but there certainly are no guarantees.

The TAVF analysis of semiconductor equipment companies at the end of October did not differ materially from how the group appears to have been analyzed by the research departments of various broker/dealers, including Alex. Brown and Lehman Brothers. We all seemed to agree that the issues are safe and cheap based on high quality present financial positions and excellent long-term outlooks. We agreed also that the industry is entering a depressed period of indeterminate length. None of these research departments, though, were recommending the common stocks TAVF was buying. The differences seemed to revolve around what factors each believes ought to be weighted as important. The Fund, for example, is focused on strong financial positions, a factor all but ignored by research departments. The research departments are focused on the immediate earnings outlook, a factor all but ignored by the Fund insofar as we continue to think the issuers will remain enough in the black so that they do not dissipate strong financial positions during the downturn.

The essential difference between TAVF and the research departments was that the Fund was trying to do good enough on a long-term basis; the Fund has undertaken no stock market, as distinct from corporate, analysis; and the Fund was not trying to buy these common stocks at, or near, bottom prices. TAVF had no idea of where the stock market bottom might have been for these common stock issues. In contrast, each brokerage firm was deeply concerned with near-term downside risk as measured solely by the prices at which they thought these semiconductor equipment common stocks might sell. Purely and simply, they seemed most unlikely to recommend the purchase of semiconductor equipment common stocks, regardless of price, until they saw evidence of an industry turn-around. This reminds me much of the Kmart experience last year where, notwithstanding the obvious money making potential in Kmart obligations either as performing loans or as participants in a Chapter 11 reorganization, institutions were loathe to buy because if Kmart filed for Chapter 11 relief, it was believed that the bonds would be available at materially lower prices. This type of security analysis, where one tries to estimate what market prices will be in the short-run rather than trying to determine underlying corporate values, seems to me to be emphasizing the hole rather than the doughnut. TAVF intends to stay focused on the doughnut.

For shareholders seeking long-term appreciation with some margin of safety, the TAVF approach seems more appropriate, especially for those saving for retirement or a young child's education. Long-term holdings of semiconductor equipment common stocks, acquired at late 1996 prices, ought to be right up their alley. On the other hand, for those striving to maximize near-term market performance consistently, the broker/dealer approach seems to make sense.

CORPORATE VALUATION AND TAVF

Unlike the broker/dealer research departments discussed above, as well as virtually all financial literature published by academics and the Graham & Dodd school of fundamental analysis, TAVF, in its analysis, tends to give short shrift to immediate outlooks for stock prices, and completely ignores stock market, as distinct from corporate, factors in making investment decisions. The stock market factors ignored encompass all technical-chartist considerations (indeed any study of historic securities prices): accounting earnings, dividend policy, short run outlooks, and macro factors such as stock market indexes, Gross Domestic Product, Unemployment, Housing Starts, Book to Bill ratios, etc. The Fund is not alone in the way it analyzes. As a matter of fact, TAVF seems to look at situations the way the most successful control investors, e.g., Warren Buffett, Ted Forstmann, Carl Icahn, Ron Perelman and Richard Rainwater, do. These people are not burdened with the excess baggage of trying to forecast, but not influence, future market prices. A minority of other mutual funds, with a fundamentalist buy and hold strategy, also seem to be much like TAVF, including Gabelli, Lindner Fund, Mutual Shares and Tweedy Browne. Perhaps we long-term fundamentalists concentrating on underlying corporate values are really the mainstream, although we seem to be only a tiny minority among mutual funds.

To those of us who concentrate on corporate value, stock market prices do not determine business value. Rather, such prices are something activists take advantage of to create values for themselves. Not only is corporate value different from market price, but it ought to be because the emphasis tends to be on different factors, and insofar as the same factors are considered, they are weighted quite differently. As a matter of fact, for activists, the differences between market prices and underlying corporate values gives rise to what is probably the most significant long-term arbitrage extant in the financial community. Sometimes, market prices for common stocks are ultra-high compared with corporate values. At other times, market prices for common stocks are low to ultra-low compared with the corporate values existing for reasonably well-financed (or financeable) companies.

When common stock prices are ultra high compared to corporate values, common stocks are issued to the public in IPOs and in connection with mergers and acquisitions. When common stock prices are low to ultra-low, companies go private in Leveraged Buy-Outs (LBOs) or plain going-privates, or are acquired in hostile take-overs and in mergers and acquisitions where the consideration paid can range from cash to the acquiring company's common stock. The TAVF long-term strategy, as a passive investor in common stocks, is to be a long-term beneficiary of the arbitrage bound to exist when market prices for common stocks are well below underlying business values. For example, if our analysis of the semiconductor equipment industry is close to right, many issues ought to become takeover candidates in the years ahead.

I've read a lot of literature purporting to describe the principles of corporate value. Everything I've read seems to be either misleading or incomplete. Most materials are misleading because they analyze the prices at which they believe a common stock ought to sell in markets populated by Outside Passive Minority Investors (OPMIs) rather than by reference to underlying values that might exist within the corporation. All materials I've read seem incomplete, too, in that each school is looking for the one "magic" factor that measures value. For academics, that factor seems to be discounted cash flow. For Graham & Dodd, that factor seems to be earning power. Part of the problem encountered by academics and Graham & Dodd is that they seem to analyze almost any company as a strict going concern which will remain in the same industry it always has been in, conducting pretty much the same operations as it always has. Against that background, it makes sense to state that values will be determined by future flows from operations, whether those flows are in the form of free cash or earning power.

The TAVF view, however, is that very few companies are strict going concerns. Rather, besides creating value from day to day operations, they also will create value by engaging in transactional activities such as mergers and acquisitions, accessing capital markets, selling assets in bulk, refinancing and liquidating. Merely examining flows omits too many important, non-flow, activities which create value. For the Fund, there is no one "magic" factor that creates value. Corporate value can be created in four ways, three of which are internal and one of which is external:

Internal Value Creation

1) FREE CASH FLOW AVAILABLE FOR WEALTH CREATION BY EXPANDING ASSETS, MAKING PAYMENTS TO CREDITORS, AND/OR DISTRIBUTING CASH TO SHAREHOLDERS. Very few companies probably enjoy free cash flow from a going concern point of view. While it is true that for any investment to make sense for a company, the cash values created out of the investment have to exceed the cash costs of the investment, including the cost of capital, this net cash generation tends not to exist for the going concern. For example, almost any finance company that is expanding its receivables portfolio will have cash negative operations and the finance company will have to get operating cash from external sources. However, any individual receivable in which the finance company has invested is likely to create interest and fee income in excess of interest costs, bad loan charges, operating expenses and income taxes.

The principal securities held by the Fund where the issuers benefit from having free cash flows are those involved in money management, an area where there are no needs to invest in receivables, inventory, fixed assets or intangible assets and where overhead seems quite controllable, except maybe for marketing expense. The common stocks of these companies, including companies managing life insurance products, valued at market, account for close to 15% of Fund assets, our largest single industry category.

or

2) EARNINGS WHICH ARE DEFINED AS FLOWS WHICH CREATE CORPORATE WEALTH WHILE CONSUMING CASH. For the vast majority of going concerns in industrial economies, and for all industrial economies in the aggregate, earnings seem to be far more commonplace than are cash flows. Since earnings require the consumption of cash, earnings in general cannot have any independent value unless combined with access to capital markets. Most capital markets are creditor markets, but frequently, ability to access capital markets depends on an ability to also access equity markets in order to expand the capital base.

The majority of securities held in the TAVF portfolio are earnings-driven plays, starting with the Kmart and Eljer Industries debt securities and going down through the semiconductor equipment manufacturers. While the semiconductor equipment manufacturers which prosper will probably not need to access capital markets for some time to come, those which create wealth seem bound to consume cash in the process, especially since expenditures for research and development have to be so huge. Also, many semiconductor equipment manufacturers are probably going to want to finance acquisitions.

and/or

3) AS AN ALTERNATIVE, OR SUPPLEMENT, TO THE TWO FLOWS, CORPORATE VALUE EXISTS INSOFAR AS CORPORATIONS OWN, OR CONTROL, SEPARABLE AND SALABLE ASSETS (OR LIABILITIES WHOSE PRESENT VALUE IS MUCH BELOW BOOK CARRYING VALUE) WHICH CAN BE DISPOSED OF, OR USED AS A SOURCE OF OUTSIDE FINANCING, WITHOUT INTERFERING WITH, OR UNECONOMICALLY DIMINISHING, FREE CASH FLOW OR EARNINGS.

TAVF dedicates a large portion of its equity portfolio to companies owning separable and salable assets and where the Fund could acquire its positions at discount prices compared with perceived workout values. Such common stocks held by the Fund include the entire portfolio of real estate equities, the common stocks of the broker/dealers which have a presence in money management, Capital Southwest Common and St. Joe Corp. Common. TAVF will always be spending much time and effort on these types of companies, largely because these businesses are so much easier to analyze and value compared with those where one has to estimate future flows, whether cash or earnings, and apply to those future flows an appropriate capitalization rate.

and

EXTERNAL VALUE CREATION

4) CORPORATIONS CAN, AND DO, CREATE VALUE BY ACCESSING CAPITAL MARKETS AT PRICES, AND ON TERMS, THAT GIVE THE CORPORATION A TREMENDOUS BARGAIN. The use of proceeds from such access may be either for expansion of an existing asset base, creating a new asset base, refinancing-restructuring of the liability side of the balance sheet, acquisition of other corporations, or even making massive distributions to shareholders, which is what occurs as a result of LBO transactions. One way that corporations, and their promoters, take advantage of the super pricing that might be available is to sell a new issue of common stock in an IPO. Many of the semiconductor equipment common stocks TAVF owns had public offerings in recent years at 3 to 5 times the prices the Fund paid to establish its position.

TAVF keeps dipping a toe into private placements at prices related to promoters' prices, where the game plan is to have an IPO several years hence. The Fund has done okay, not great, in these types of investments. The return on LaSalle Re Holdings common stock has been good. Sen-Tech common stock has been disappointing. I have high hopes for our investment in Head Insurance Investors. Our best investment in this area, by far, has been in the common stock of Capital Southwest, a business development company. Bill Thomas, who runs Capital Southwest, is as sound a venture capitalist as I've ever come across. Capital Southwest has the long-term track record to prove it.

1996 PERFORMANCE

I think TAVF performed satisfactorily in 1996, especially since the Fund operated for the whole year with cash equivalent reserves of around 25% of net assets, while other credit instruments without credit risk accounted for another 5% of net assets. TAVF shares appreciated by almost 16% in 1996. However, many other mutual funds had as good or better performance than the Fund. The Fund would have invested much more heavily in "safe and cheap" assets having promise of higher returns than cash equivalents if it could have found them. Those who think the sole measure of management ought to involve maximizing total return consistently would be unhappy with any fund that did not correctly predict the market. (For example, Jeff Vinik may have been eased out of Magellan Fund because of large bond positions held in a bull market period, albeit Magellan's portfolio probably was less conservative than TAVF's.) Be fully invested for bull markets. Hold a lot more cash than 25% of net assets for bear markets. I think these "outperform the market consistently folks" are simply short-term speculators, very few of whom focus on investment, as distinct from market risk.

TAVF would have been relatively fully invested in instruments other than credit instruments without credit risk in 1996 if it could have identified enough securities which were "safe and cheap". For the Fund, "safe" in common stock investing refers to companies which enjoy super-strong financial positions. "Safe" in credit investing involves owning corporate debt securities which will be in a senior position, preferably secured, in the event the issuer experiences a money default and has to reorganize or liquidate. "Cheap" in common stock investing refers to acquiring securities at prices which appear to be no more than 50% of what we believe would be the workout for the common if the business were to be a private business or a takeover candidate. "Cheap" in credit investing, where some credit risk is implicit in the investment, involves owning a security where the estimated yield to maturity is at least 500 basis points more than can be obtained from a comparable credit, regardless of whether the enhanced yield to maturity is realized because the obligation continues to be a performing loan or the obligation works out in reorganization or liquidation.

Because the Fund could not find enough "safe and cheap" issues, TAVF was not fully invested. Not being fully invested in 1996 meant that 1996 total return performance was less than it otherwise would have been. Criticizing management for not being fully invested in this context seems akin to telling a home owner who paid a premium to insure his house against fire last year, that the homeowner wasted his money paying insurance premiums because his house never did burn down.

There is a lot more to intelligent investing than maximizing total return consistently, or predicting market prices.

1996 DISTRIBUTIONS

On December 13, 1996, TAVF declared a dividend from the Fund's net investment income through the period ending December 31, 1996 in the amount of approximately $0.562 per Fund share. TAVF also declared distributions of approximately $0.064, representing short-term capital gains through the period ended October 31, 1996; and approximately $0.084 per share, representing long-term capital gains through the period ended October 31, 1996. These distributions are payable January 6, 1997 to Fund shareholders of record on December 30, 1996. The precise amount of each distribution will be determined based on the number of total Fund shares outstanding on the close of business on the record date, December 30, 1996. The distributions are payable in cash or, for those shareholders who have elected the reinvestment option, in additional Fund shares at the Fund's net asset value on December 31, 1996, the "ex" date, or valuation date, for reinvestment.

I will write you again when the quarterly report for the period to end January 31, 1997 is published. Best wishes for a happy and prosperous new year.

Sincerely yours,

/s/ Martin J. Whitman
Martin J. Whitman
Chairman of the Board

<TABLE>
<CAPTION>

Third Avenue Value Fund, Inc.
Portfolio of Investments (continued)
at October 31, 1996

	Principal Amount ($)	Issues	Value (Note 1)	% of Net Assets
<S>	<C>	<C>	<C>	<C>
Asset Backed Securities--2.62%				
	2,635,100	Olympic Automobile Receivables Trust Series 1995-E CTFS, Subordinated Bond 5.95% due 6/15/02	$2,628,923	
	4,530,821	The Money Store Home Equity Trust Series 1992-AA, 6.95% due 1/15/07	4,561,970	
	7,615,000	The Money Store Home Equity Trust Series 1995-BA3, 6.65% due 1/15/16	7,648,316	

		TOTAL ASSET BACKED SECURITIES (Cost $14,862,508)	14,839,209	2.62%
			==========	====
Bank Debt - 1.92%				
Oil	1,889,887	Cimarron Petroleum Corp.(c)(d)	1,909,112	0.34%
Plumbing Fixtures	9,238,238	Eljer Industries, Inc.(c)(e)	8,961,091	1.58%
			---------	----
		TOTAL BANK DEBT (Cost $10,367,830)	10,870,203	
			==========	
Corporate Bonds - 4.42%				
Membership Sports & Recreation Clubs	1,422,000	USTrails Inc., Senior Subordinated Pay-In-Kind Notes 12%, 7/15/03(c)	1,080,720	0.19%
Retail	3,350,000	Kmart Corp., 8.61%, 4/10/97	3,324,875	
	800,000	Kmart Corp., 8.56%, 4/21/97	794,000	
	850,000	Kmart Corp., 8.54%, 5/08/97	843,625	

1,400,000	Kmart Corp., 9.55%, 6/30/98	1,361,500	
8,000,000	Kmart Corp., 7.77%, 7/02/02	7,120,000	
1,000,000	Kmart Corp., 8.125%, 12/01/06	907,500	
3,000,000	Kmart Corp., 8.375%, 7/01/22	2,415,000	
9,400,000	Kmart Corp., 7.95%, 2/01/23	7,191,000	
		23,957,500	4.23%
	TOTAL CORPORATE BONDS (Cost $20,567,172)	25,038,220	

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Issues	Value (Note 1)	% of Net Assets
Government Agency Bonds--3.00%				
	2,889,650	Federal Home Loan Mortgage Corp. Collateralized Mortgage Obligation, Series 1635 K, Inverse Floater 6.29801% due 12/15/08 (g)	$ 2,010,619	
	5,000,000	Federal Home Loan Mortgage Corp. Collateralized Mortgage Obligation, Series 1518 G, Inverse Floater 3.81% due 5/15/23 (g)	2,208,700	
	2,058,631	Federal National Mortgage Association Collateralized Mortgage Obligation, Series 1993-129 S, Inverse Floater 5.14711% due 8/25/08 (g)	1,322,403	
	6,600,000	Federal National Mortgage Association Collateralized Mortgage Obligation, Series 1993-229 SB, Inverse Floater 5.48046% due 12/25/08 (g)	4,113,252	
	300,000	Federal National Mortgage Association Collateralized Mortgage Obligation, Series 1993-221 SG, Inverse Floater 3.48727% due 12/25/08 (g)	177,345	
	3,000,000	Federal National Mortgage Association Collateralized Mortgage Obligation, Series 1994-13 SM, Inverse Floater 7.99393% due 2/25/09 (g)	2,170,080	
	2,683,270	Federal National Mortgage Association Collateralized Mortgage Obligation, Series 1994-13 SK, Inverse Floater 7.30501% due 2/25/09 (g)	1,786,360	
	6,191,950	Federal National Mortgage Association Collateralized Mortgage Obligation, Series 1993-210 SA, Inverse Floater 1.105% due 11/25/23 (g)	2,419,381	
	1,696,925	Federal National Mortgage		

		Association Collateralized Mortgage Obligation, Series 1994-72 SB, Inverse Floater 3.13125% due 4/25/24 (g)	803,986	
		TOTAL GOVERNMENT AGENCY BONDS (Cost $13,999,472)	17,012,126	3.00%

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Issues	Value (Note 1)	% of Net Assets
STRUCTURED NOTES-4.47%				
Finance Companies	21,750,000	Heller Financial Inc.-Medium Term Note, 1/22/97 (c) (f) (h)	$21,750,000	3.84%
Real Estate	3,563,320	Combined Investors, L.L.C. (c)	3,563,320	0.63%
		TOTAL STRUCTURED NOTES (Cost $25,116,302)	25,313,320	

	Shares or Units			
Common Stocks, Limited Partnership Units and Warrants--62.36%				
Annuities & Mutual Fund	272,000	Liberty Financial Companies, Inc.	9,554,000	
Management & Sales	300,000	SunAmerica Inc.	11,250,000	
	100,000	The John Nuveen Company Class A	2,775,000	
			23,579,000	4.16%
Apparel Manufacturers	150,000	Kleinert's, Inc. (b)	2,718,750	0.48%
Building Products	44,000	Central Sprinkler Corp. (b)	781,000	
& Related	125,000	Cummins Engine Co., Inc.	5,203,125	
	50,000	H.B. Fuller Co.	2,087,500	
	33,200	Tecumseh Products Co. Class A	1,867,500	
	98,600	Tecumseh Products Co. Class B	5,275,100	
			15,214,225	2.68%
Business Development Companies	43,200	Capital Southwest Corp.	3,045,600	0.54%
Cogeneration Services & Small Power Producers	176,900	Destec Energy, Inc. (b)	2,653,500	0.47%
Small Power Producers				
Computer & Software	100,000	Digital Equipment Corp. (b)	2,950,000	
	100,000	Novell, Inc. (b)	925,000	
	12,103	Silicon Graphics, Inc. (b)	223,905	
			4,098,905	0.72%
Depository Institutions	53,000	Astoria Financial Corp.	1,874,875	
	218,500	Carver Bancorp, Inc. (a) (b)	1,720,688	

The accompanying notes are an integral part of the financial statements.

	Shares or Units	Issues	Value (Note 1)	% of Net Assets
Common Stocks, Limited Partnership Units and Warrants (continued)				
Depository Institutions (continued)	62,500	First Colorado Bancorp, Inc.	$ 976,562	
	149,227	Glendale Federal Bank	2,742,046	
	53,480	Glendale Federal Bank Warrants (b)	454,580	
	10,000	Letchworth Independent Bancshares Corp.	297,500	
	10,000	Letchworth Independent Bancshares Corp. Warrants (b)	77,500	
	34,783	People's Heritage Financial Group, Inc.	800,009	
	80,000	Security Capital Corp. (b)	5,280,000	
			14,223,760	2.51%
Financial Insurance	100,000	AMBAC Inc.	6,250,000	
	244,100	Enhance Financial Services Corp.	8,146,838	
	725,000	Financial Security Assurance Holdings Ltd.	20,300,000	
	120,000	MBIA Inc.	10,635,000	
			45,331,838	8.00%
Food Manufacturers & Purveyors	300,000	J & J Snack Foods Corp. (b)	3,300,000	
	95,000	Premark International, Inc.	1,983,125	
	172,200	Sbarro, Inc.	4,541,775	
	100,000	Weis Markets, Inc.	3,062,500	
			12,887,400	2.27%
Forest Products	54,400	St. Joe Corp.	3,644,800	0.64%
Holding Companies	50,000	Aristotle Corp. (b)	178,125	
	21,400	White River Corp. (b)	1,241,200	
			1,419,325	0.25%
Insurance Holding Companies	189,978	ACMAT Corp. Class A (a) (b)	2,612,198	
	803,669	Danielson Holding Corp. (a)(b)(c)	4,219,262	

The accompanying notes are an integral part of the financial statements.

	Shares or Units	Issues	Value (Note 1)	% of Net Assets
Common Stocks, Limited Partnership Units and Warrants (continued)				
Insurance Holding Companies (continued)	50,000	Fund American Enterprises Holdings, Inc. (b)	$4,481,250	
	5,490	Sen-Tech Int'l Holdings, Inc.(b)(c)	1,749,718	
			13,062,428	2.30%
Life Insurance	138,000	ReliaStar Financial Corp.	7,314,000	
	107,600	Security-Connecticut Corp.	3,443,200	
			10,757,200	1.90%
Manufactured Housing	89,000	Liberty Homes, Inc. Class A	1,123,625	
	40,000	Liberty Homes, Inc. Class B	530,000	
	10,800	Palm Harbor Homes, Inc. (b)	303,750	

			1,957,375	0.35%
			=========	====
Medical Supplies & Services	81,400	Acuson Corp. (b)	1,719,575	
	342,300	Datascope Corp. (b)	5,819,100	
	50,000	Fischer Imaging Corp. (b)	381,250	
	288,438	Progressions Health Systems,Inc.(a)(b)	14,422	
	90,750	St. Jude Medical, Inc. (b)	3,584,625	

			11,518,972	2.03%
			==========	====
Membership Sports & Recreation Clubs	237,267	USTrails Inc. (b)(i)	244,682	0.04%
Mortgage Insurance	76,400	CMAC Investment Corp.	5,281,150	0.93%
Motor Vehicles & Cars' Bodies	50,000	Ford Motor Co.	1,562,500	0.28%
Real Estate	31,000	Consolidated-Tomoka Land Co.	527,000	
	117,600	Forest City Enterprises, Inc. Class A	5,821,200	
	2,500	Forest City Enterprises, Inc. Class B	122,500	
	10,000	Royal Palm Beach Colony, Limited Partnership Units (b)	9,375	

			6,480,075	1.14%
			=========	====

The accompanying notes are an integral part of
the financial statements.

	Shares or Units	Issues	Value (Note 1)	% of Net Assets
Common Stocks, Limited Partnership Units and Warrants (continued)				
Real Estate Investment Trusts	480,336	Koger Equity, Inc. (b)	$7,505,250	
	5,100	Public Storage Properties XV, Inc.	99,450	
	16,300	Public Storage Properties XVI, Inc.	309,700	
	5,200	Public Storage Properties XVII, Inc.	100,100	
	15,000	Public Storage Properties XVIII, Inc.	286,875	

			8,301,375	1.47%
			=========	====
Reinsurance Companies	85,917	LaSalle Re Holdings Limited (c)	2,480,853	0.44%
Security Brokers, Dealers & Flotation Companies	118,100	Alex. Brown Inc.	6,702,175	
	111,800	Jefferies Group, Inc.	3,996,850	
	335,000	Legg Mason Inc.	10,803,750	
	462,100	Piper Jaffray Companies Inc. (a)	5,371,913	
	525,000	Raymond James Financial, Inc.	12,796,875	
	161,941	Ryan, Beck & Co., Inc. (a) (c)	890,676	

			40,562,239	7.16%
			==========	====
Semiconductor Equipment Manufacturers	25,000	AG Associates, Inc. (b)	125,000	
	200,000	Applied Materials, Inc. (b)	5,287,500	
	555,700	Electro Scientific Industries, Inc.(a)(b)	11,391,850	
	1,050,000	Electroglas, Inc.(a)(b)	13,781,250	
	561,100	FSI International, Inc. (b)	5,821,412	
	200,000	KLA Instruments Corp. (b)	4,850,000	
	150,000	Photronics, Inc. (b)	4,050,000	
	300,000	Silicon Valley Group, Inc. (b)	4,987,500	
	169,200	Tencor Instruments (b)	3,193,650	
	218,700	Veeco Instruments, Inc. (b)	2,679,075	

	131,250	Zygo Corp. (b)	4,659,375	

			60,826,612	10.73%
			==========	=====
Title Insurance	445,800	Stewart Information Services Corp. (a)	9,584,700	
	615,000	The First American Financial Corp. (a)	23,139,375	

			32,724,075	5.77%
			==========	====

The accompanying notes are an integral part of
the financial statements.

	Shares or Units	Issues	Value (Note 1)	% of Net Assets
Common Stocks, Limited Partnership Units and Warrants (continued)				
Venture Capital	87,000	AFC Cable Systems, Inc. (b)	$1,544,250	
	100,000	American Physicians Service Group, Inc. (b)	593,750	
	127,000	Analogic Corp.	3,460,750	
	119,200	Emerging Markets Infrastructure Fund, Inc.	1,251,600	
	163,500	Evans & Sutherland Computer Corp. (b)	3,433,500	
	109,000	Gish Biomedical, Inc. (b)	722,125	
	140,600	H & Q Life Sciences Investors (b)	1,968,400	
	154,800	Integrated Systems, Inc. (b)	4,179,600	
	300,000	Interphase Corp. (a) (b)	3,975,000	
	293,000	Mountbatten, Inc. (a) (b)	2,398,937	
	200,000	Sequoia Systems, Inc. (b)	500,000	
	301,900	Vertex Communications Corp. (a) (b)	4,905,875	

			28,933,787	5.10%
			==========	====
		TOTAL COMMON STOCKS, LIMITED PARTNERSHIP UNITS AND WARRANTS (Cost $255,320,542)	353,510,426	
			===========	

Preferred Stock - 0.17%				
Depository Institutions	20,000	Glendale Federal Bank Convertible, Non-Cumulative, 8 3/4%, Series E	967,500	0.17%
			-------	----
		TOTAL PREFERRED STOCK (Cost $500,000)	967,500	
			=======	

	Investment Amount($)			
Other Investments - 0.55%				
Insurance Holding Companies	3,136,000	Head Insurance Investors L.P.(c)	3,136,000	0.55%

	TOTAL OTHER INVESTMENTS (Cost $3,136,000)		3,136,000	
			=========	

The accompanying notes are an integral part of the financial statements.

	Principal Amount ($)	Issues	Value (Note 1)	% of Net Assets
U.S. Treasury Bills--23.04%				
	31,500,000	U.S. Treasury Bill 4.73%, 11/7/96	$ 31,475,167	
	1,877,000	U.S. Treasury Bill 4.85%, 11/14/96(j)	1,873,716	
	627,000	U.S. Treasury Bill 4.85%, 11/14/96(j)	625,903	
	37,000,000	U.S. Treasury Bill 4.74%, 11/21/96	36,902,567	
	32,000,000	U.S. Treasury Bill 4.86%, 11/29/96	31,879,040	
	28,000,000	U.S. Treasury Bill 4.91%, 12/5/96	27,870,158	
		TOTAL U. S. TREASURY BILLS (Cost $130,626,551)	130,626,551	23.04%
		TOTAL INVESTMENT PORTFOLIO-102.55% (Cost $474,496,377)	581,313,555	
		LIABILITIES NET OF CASH AND OTHER ASSETS--(2.55%)	(14,466,214)	
		NET ASSETS--100.00% (Applicable to 23,364,688 shares outstanding)	$566,847,341	

<FN>
Notes:
(a) Affiliated issuers--as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding common stock of these issuers.)
(b) Non-income producing securities.
(c) Restricted/fair valued securities (see Note 1).
(d) Interest accrued at current rate of prime + 2%.
(e) Interest accrued at current rate of prime + 5%.
(f) Interest accrued at current rate of LIBOR 1 month + 0.1%.
(g) Inverse floater coupon rate moves inversely to a designated index, such as LIBOR or COFI, typically at a multiple of the changes in the relevant index rate.
(h) Structured note--may be repaid in the form of $25,000,000 face value Kmart Corp. trade claims in the event that Kmart Corp. files or is forced into Chapter 7 or 11 of the Bankruptcy Code prior to January 22, 1997. The ultimate value of such trade claims would be determined by the bankruptcy proceedings.
(i) 130,095 shares restricted/fair valued (see Note 1).
(j) Securities segregated for future Fund commitments (see Note 6).
</FN>
</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

Third Avenue Value Fund, Inc.
Statement of Assets and Liabilities
October 31, 1996

<S>	<C>
Assets:	
Investments at value (Notes 1 and 4) :	
Unaffiliated issuers (identified cost of $402,227,665)	$497,307,409
Affiliated issuers (identified cost of $72,268,712)	84,006,146
Total investments (identified cost of $474,496,377)	581,313,555

Cash and cash equivalents (Note 1)	1,617,463
Receivable for fund shares sold	1,262,980
Dividends and Interest receivable	1,107,271
Other assets	12,330
Total assets	585,313,599
Liabilities:	
Payable for securities purchased	16,539,145
Deferred fees (Note 1)	731,571
Payable for fund shares redeemed	511,971
Payable to investment adviser	427,311
Accounts payable and accrued expenses	232,831
Payable to affiliates (Note 3)	23,429
Commitments (Note 6)	--
Total liabilities	18,466,258
Net assets	$566,847,341
Summary of net assets:	
Common stock, $ 0.001 par value, authorized 200,000,000 shares, 23,364,688 outstanding shares	$ 23,365
Additional paid in capital	447,598,572
Accumulated undistributed net investment income	10,389,192
Accumulated undistributed net realized gains from investment transactions	2,019,034
Net unrealized appreciation of investments	106,817,178
Net assets applicable to outstanding capital shares	$566,847,341
Net asset value, offering and redemption price per share	$24.26

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

Third Avenue Value Fund, Inc.
Statement of Operations
For the Year Ended October 31, 1996

<S>	<C>
Investment income:	
Interest-unaffiliated issuers	$12,671,945
Dividends-unaffiliated issuers	2,760,662
Dividends-affiliated issuers	646,474
Fee Income	1,036,437
Total investment income	17,115,518
Expenses:	
Investment advisory fees (Note 3)	3,976,741
Transfer agent fees	303,145
Administration (Note 3)	265,775
Reports to shareholders	189,751
Registration and filing fees	107,719
Accounting services	92,701
Custodian fees (Note 4)	74,835

Directors' fees and expenses	65,058
Service fees	57,037
Miscellaneous expenses	56,661
Legal fees	55,564
Auditing and tax consulting fees	49,149
Insurance expenses	40,486
Total operating expenses	5,334,622
Net investment income	11,780,896
Realized and unrealized gains on investments:	
Net realized gains on investments - unaffiliated issuers	734,777
Net realized gains on investments - affiliated issuers	3,347,022
Net change in unrealized appreciation on investments	45,559,872
Net realized and unrealized gains on investments	49,641,671
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$61,422,567

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>
<CAPTION>

Third Avenue Value Fund, Inc.
Statement of Changes in Net Assets

<S>	For the Year Ended October 31, 1996 <C>	For the Year Ended October 31, 1995 <C>
Operations:		
Net investment income	$ 11,780,896	$ 5,315,994
Net realized gains on investments- unaffiliated issuers	734,777	3,953,960
Net realized gains (losses) on investments- affiliated issuers	3,347,022	(1,838,180)
Net change in unrealized appreciation on investments	45,559,872	41,324,327
Net increase in net assets resulting from operations	61,422,567	48,756,101
Distributions:		
Dividends to shareholders from net investment income	(6,118,869)	(2,643,291)
Distributions to shareholders from net realized gains on investments	(2,245,595)	(1,518,034)
	(8,364,464)	(4,161,325)
capital share transactions:		
Proceeds from sale of shares	273,608,965	112,183,260
Net asset value of shares issued in reinvestment of dividends and distributions	7,089,926	3,493,053
Cost of shares redeemed	(79,632,018)	(34,741,140)
Net increase in net assets resulting from capital share transactions	201,066,873	80,935,173
Net increase in net assets	254,124,976	125,529,949
Net assets at beginning of year	312,722,365	187,192,416
Net assets at end of year		

(including undistributed net investment income of $10,389,192 and $4,586,481 respectively)	$566,847,341	$312,722,365
	============	============

</TABLE>

The accompanying notes are an integral part of the financial statements.

Third Avenue Value Fund, Inc.
Notes to Financial Statements
October 31, 1996

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Third Avenue Value Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as an open-end, non-diversified management investment company. Investment operations commenced on November 1, 1990. The investment objective of the Fund is to seek long-term capital appreciation. The Fund seeks to attain its objective by following a value investing philosophy that seeks to acquire common stocks at a substantial discount to the Adviser's estimate of the issuing company's private value, preferred stocks and debt instruments providing strong covenant protection and above-average current yields or yields to maturity.

Accounting policies:

The policies described below are followed consistently by the Fund in the preparation of its financial statements in conformity with generally accepted accounting principles.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Security valuation:

Securities traded on a principal stock exchange or the National Association of Securities Dealers' Automated Quotation System ("NASDAQ") are valued at the last quoted sales price or, in the absence of closing sales prices on that day, securities are valued at the mean between the closing bid and asked price. Over the counter securities are valued at the mean between the closing bid and asked price. Temporary cash investments are valued at cost plus accrued interest, which approximates market.

The Fund may invest up to 15% of its total assets in securities which are not readily marketable, including those which are restricted as to disposition under applicable securities laws ("restricted securities"). Restricted securities and other securities and assets for which market quotations are not readily available are valued at "fair value", as determined in good faith by the Board of Directors of the Fund, although actual evaluations may be made by personnel acting under procedures established by the Board. Such securities had a total fair value of $49,874,913 or 8.80% of net assets, at October 31, 1996. Among the factors considered by the Board of Directors in determining fair value are the type of security, trading in unrestricted securities of the same issuer, the financial condition of the issuer, the Fund's cost at the date of purchase, the percentage of the Fund's beneficial ownership of the issuer's common stock and debt securities, the operating results of the issuer, the discount from market value of any similar unrestricted securities of the issuer at the time of purchase and liquidation values of the issuer.

Security transactions and investment income:

Security transactions are accounted for on a trade date basis. Dividend income is recorded on the ex-dividend date and interest income, including, where applicable, amortization of premium and accretion of discount on investments, is accrued daily, except when collection is not expected. Realized gains and losses from securities transactions are reported on an identified cost basis.

Distributions to shareholders:

Dividends from net investment income paid to shareholders and distributions from realized gains on sales of securities paid to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with Federal income tax regulations which may differ from generally accepted accounting principles. These "book/tax" differences are either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their tax-basis treatment. Temporary differences do not require a reclassification. For the year ended October 31, 1996, such reclassifications resulted in a decrease to the Fund's accumulated net realized gains and additional paid in capital accounts of $123,993 and $16,691, respectively, and an offsetting increase to accumulated undistributed net investment income of $140,684.

Federal income taxes:

The Fund has complied and intends to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required.

Cash and cash equivalents:

The Fund has defined cash and cash equivalents as cash in interest bearing and non-interest bearing accounts.

Deferred fees:

The Fund has received fees of $950,625 from Heller Financial, Inc. and $725,000 from Combined Investors, LLC in connection with the Fund's investments in these instruments. These fees are being deferred and recorded as income over the life of the respective instruments.

2. SECURITIES TRANSACTIONS

Purchases and sales:

The aggregate cost of purchases from unaffiliated and affiliated issuers (as defined in the Investment Company Act of 1940, ownership of 5% or more of the outstanding common stock of the issuer) for the year ended October 31, 1996, was $158,262,877 and $41,765,879, respectively. The aggregate proceeds from sales and conversions of investments of unaffiliated and affiliated issuers for the year ended October 31, 1996, were $42,274,035 and $5,209,877, respectively.

At October 31, 1996, cost for federal income tax purposes amounted to $476,162,465. Accordingly, the net unrealized appreciation based on cost for federal income tax purposes of $105,151,090 was comprised of gross unrealized appreciation and depreciation of $109,834,997 and $4,683,907, respectively.

3. INVESTMENT ADVISORY SERVICES AND DISTRIBUTION AGREEMENT

The Fund has an Investment Advisory Agreement with EQSF Advisers, Inc. (the "Adviser") for investment advice and certain management functions. The Advisory Agreement provides for a monthly fee, to be paid to the Adviser, of 1/12 of .90% (an annual fee rate of .90%) of the total average daily net assets of the Fund during the month. Additionally, under the terms of the Investment Advisory Agreement, the Adviser pays certain expenses on behalf of the Fund which are reimbursable by the Fund, including salaries of non-officer employees, rent and other miscellaneous expenses. Amounts reimbursed with respect to non-officer salaries and rent are included under the caption Administration. At October 31, 1996, the Fund had a payable of $23,429 to affiliates for reimbursement of expenses paid by affiliates.

Whenever, in any fiscal year, the total cost to the Fund of normal operating expenses chargeable to its income account, including the investment advisory fee and the amounts reimbursable to the Adviser for the administration of the Fund, but excluding interest and taxes, exceeds 2 1/2% of the first $30,000,000 of the average daily net assets of the Fund for the fiscal year, plus 2% of the next $70,000,000, plus 1 1/2% of the remaining balance of the average daily net assets of the Fund, the Adviser is obligated under the Investment Advisory Agreement to reimburse the Fund in an amount equal to that excess. No expense reimbursement was required for the year ended October 31, 1996.

4. RELATED PARTY TRANSACTIONS

Brokerage commissions:

Martin J. Whitman, the Chairman and a director of the Fund, is the Chairman and Chief Executive Officer of M.J. Whitman Holding Corp., which is the parent of both M.J. Whitman, Inc., a registered broker-dealer and M.J. Whitman Senior Debt Corp., a dealer in the trading of bank debt and other private claims. For the year ended October 31, 1996, the Fund incurred total brokerage commissions of $447,855 of which approximately $329,168 was earned by M.J. Whitman, Inc. and $70,250 was earned by M.J. Whitman Senior Debt Corp. At October 31, 1996, the

Fund's payable for securities purchased included unsettled trades with M.J. Whitman, Inc. of $14,872,100.

INVESTMENT SECURITIES:
At October 31, 1996, the Fund owned 803,669 shares of Danielson Holding Corp. ("DHC"), representing 5.23% of its outstanding common stock. Martin J. Whitman is the Chairman and a director of DHC.

At October 31, 1996, the Fund, along with a group of affiliated investment vehicles, owned 1,461,400 shares of Piper Jaffray Companies Inc., representing 8.38% of its outstanding common stock.

At October 31, 1996, the Fund, along with an affiliated company, owned 209,999 shares of Ryan, Beck & Co., Inc., representing 6.42% of its outstanding common stock.

At October 31, 1996 the Fund owned 445,800 shares of Stewart Information Services Corp., representing 6.67% of its outstanding common stock.

At October 31, 1996 the Fund owned 615,000 shares of The First American Financial Corp., representing 5.37% of its outstanding common stock.

At October 31, 1996, the Fund owned 300,000 shares of Interphase Corp., representing 6.40% of its outstanding common stock.

At October 31, 1996, the Fund owned 293,000 shares of Mountbatten, Inc., representing 11.58% of its outstanding common stock.

At October 31, 1996, the Fund owned 189,978 shares of ACMAT Corp. Class A, representing 5.18% of its outstanding common stock.

At October 31, 1996, the Fund owned 218,500 shares of Carver Bancorp, Inc., representing 9.44% of its outstanding common stock.

At October 31, 1996, the Fund owned 1,050,000 shares of Electroglas, Inc., representing 5.85% of its outstanding common stock.

At October 31, 1996, the Fund owned 555,700 shares of Electro Scientific Industries, Inc., representing 6.42% of its outstanding common stock.

At October 31, 1996, the Fund owned 301,900 shares of Vertex Communication Corp., representing 6.81% of its outstanding common stock.

Custodian
Pursuant to a custody agreement, Danielson Trust Company ("DTC"), a wholly owned subsidiary of DHC, acts as custodian for the Fund. For these services, DTC was paid fees of $74,835 for the year ended October 31, 1996.

5. CAPITAL SHARE TRANSACTIONS
<TABLE>
<CAPTION>
Transactions in capital stock were as follows:

<S>	For the Year Ended October 31, 1996 <C>	For the Year Ended October 31, 1995 <C>
Increase in Fund shares:		
Shares outstanding at beginning of year	14,524,055	10,396,658
Shares sold	12,005,739	5,699,436
Shares reinvested from dividends and distributions	325,226	205,837
Shares redeemed	(3,490,332)	(1,777,876)
Net increase in Fund shares	8,840,633	4,127,397
Shares outstanding at end of year	23,364,688	14,524,055

=========   =========

</TABLE>

6. COMMITMENTS

The Fund has committed a $5,000,000 capital investment to Head Insurance Investors L.P. of which $3,136,000 has been funded as of October 31, 1996. The Fund's outstanding commitment to its investment in Combined Investors, L.L.C. was $625,000 as of October 31, 1996. Securities valued at $2,499,619 have been segregated to meet the requirements of these commitments. These commitments may be payable on demand by the investee company.

7. RISKS RELATING TO CERTAIN INVESTMENTS

High Yield Debt:

The Fund currently invests in high yield lower grade debt. The market values of these higher yielding debt securities tend to be more sensitive to economic conditions and individual corporate developments than do higher rated securities.

Loans and Other Direct Debt Instruments:

The Fund invests in loans and other direct debt instruments owed by a corporate borrower to another party. The loans represent amounts owed to lenders or lending syndicates (loans and loan participations) or to other parties. Direct debt instruments may involve a risk of loss in case of default or insolvency of the borrower and may offer less legal protection to the Fund in the event of fraud or misrepresentation. In addition, loan participations involve a risk of insolvency of the lending bank or other financial intermediary. The markets in loans are not regulated by federal securities laws or the SEC.

8. SUBSEQUENT EVENT

On December 13, 1996, the Fund's shareholders approved and adopted an agreement to reorganize the Fund from a Maryland corporation to a Delaware business trust ("Third Avenue Trust" or the "Trust"). Third Avenue Value Fund will become one series in the Third Avenue Trust and it is the intention of the Board of Directors of the Trust to offer additional separate series of shares.

Third Avenue Value Fund, Inc.
Financial Highlights

<TABLE>
<CAPTION>
SELECTED DATA (FOR A SHARE OUTSTANDING THROUGHOUT EACH YEAR) AND RATIOS ARE AS FOLLOWS:

	Years Ended October 31,				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Year	$21.53	$18.01	$17.92	$13.57	$12.80
Income from Investment Operations:					
Net investment income	.53	.38	.29	.18	.19
Net gain on securities (both realized and unrealized)	2.76	3.53	.16	4.77	.64
Total from Investment Operations	3.29	3.91	.45	4.95	.83
Less Distributions:					
Dividends from net investment income	(.41)	(.25)	(.22)	(.24)	(.02)
Distributions from realized gains	(.15)	(.14)	(.14)	(.36)	(.04)
Total Distributions	(.56)	(.39)	(.36)	(.60)	(.06)
Net Asset Value, End of Year	$24.26	$21.53	$18.01	$17.92	$13.57
Total Return	15.55%	22.31%	2.56%	37.36%	6.50%

Ratios/Supplemental Data:					
Net Assets, End of Year (in thousands)	$566,847	$312,722	$187,192	$118,958	$31,387
Ratio of Expenses to Average Net Assets	1.21%	1.25%	1.16%	1.42%	2.32%
Ratio of Net Income to Average Net Assets	2.67%	2.24%	1.85%	1.45%	1.71%
Portfolio Turnover Rate	14%	15%	5%	17%	31%
Average Commission Rate Paid	.0318	n/a	n/a	n/a	n/a

</TABLE>

The accompanying notes are an integral part of the financial statements.

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
THIRD AVENUE VALUE FUND, INC.

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Third Avenue Value Fund, Inc. (the "Fund") at October 31, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 1996 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP
1177 Avenue of the Americas
New York, New York 10036
December 11, 1996

Federal Tax Status of Dividends (unaudited)

The following information represents the tax status of dividends and distributions paid by the Fund during the fiscal year ended October 31, 1996. This information is presented to meet regulatory requirements and no current action on your part is required.

Of the $0.56 per share dividend paid to you in cash or reinvested in your account for the fiscal year ended October 31, 1996, $0.41 was derived from net investment income and $0.06 from short-term capital gains and $0.09 from long-term capital gains. 43.45% of the income distributed qualifies for the Corporate Dividends Received Deduction.