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OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER

June 2, 1967

The market dropped off sharply in early trading this week, with the Dow-Jones Industrial Average reaching an intra-day bottom of 850.39 at the climax of a 12-point dip on Wednesday. Thursday's action showed a sharp recovery with the bulk of the loss being regained. Friday's activity was characterized by general dullness except for a temporary selling spate when the political news heated up -- however, late buying pared the decline. With most indicators having reached oversold territory, a short-term rebound at this stage seems probable.

At this point a few basic facts seem worth noting: (1) It is our belief that the market made a major low at 735.74 last October, culminating the 1966 decline. (2) At the moment, there is no top indicating a decline of anything like the 1966 magnitude. Such a top would, of necessity, take many months to form. (3) Strong support, tested this week, exists at the 860-840 level on the Dow and, in the event that this support were penetrated, major resistance occurs at the 820-800 level. In view of all this, we continue to suggest that the investor adopt an aggressive attitude toward equity investment and use any further weakness to add to common stock holdings.

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SEABOARD COAST LINE RAILROAD

Current Price	59 1/2
Indicated Dividend	\$2.82
Indicated Yield	4.7%
Long Term Debt	\$401,083,000
Common Stock	8,721,668 shs.
Revs. -1967-Est.	\$417,000,000
Revs. -1966	\$404,000,000
Earn. Per Sh. 1967-E	\$4.70-\$4.80
Earn. Per Sh. 1966	\$4.37 pro forma
Mkt. Range-1966-67	60 3/4-33 3/4

Given certain limitations of distance and capacity, the flanged steel wheel cleaving to the T-section rail still is the most efficient means of transporting both goods and people over land. While indirect subsidies, mainly in the form of assumed capital costs, may distort apparent cost relationships and divert traffic to competing modes of transport, technological improvements continue to lower full rail costs to levels equal to, if not below, those of the airlines, truckers and barges. Benefiting not only from these improvements, but also from a recent Supreme Court ruling allowing it to merge with the

Atlantic Coast Line RR, the Seaboard Air Line Railroad would seem to offer investors seeking both current income and above-average long-term capital appreciation potential a favorable opportunity at current price levels.

Under the merger agreement, each Atlantic Coast Line common share will be exchanged for 1.42 shares of the new company, while each present Seaboard share will be exchanged for one share of the new stock. Although a dividend policy has not been formulated by the new Board of Directors, it is anticipated that the current \$4.00 annual rate on the Atlantic Coast Line will not be jeopardized. This rate then would be equal to \$2.82 a share on the new stock, \$1.00 above the \$1.80 being paid on current Seaboard shares. Thus, present Seaboard Air Line shareholders would have their dividend income potential substantially increased as of July 1, 1967, when the two carriers become the Seaboard Coast Line Railroad.

The new company will fully retain its basically north-south traffic pattern, extending from the northern gateway of Richmond, Virginia, to southern Florida. This network has shown strong traffic trends in the postwar period in reflection of a population movement southward, necessitating increasing shipment of goods and materials not only from north to south, but in the opposite direction as well as the southland's industrial capacity expanded. With these traffic patterns expected to continue, and further cost-of operating reductions likely, future earnings potential of the merged roads is substantial. It is estimated that after five or six years of merged operation, savings could amount to the 1966 pro forma results of \$4.37 a share. A good share of these savings is expected to be passed along to shareholders in the form of increased dividends.

Having experienced a marked improvement in relative strength actions since the August-October lows of last year, the stock recently has broken out of a substantial base formation indicating higher levels. Strong support is present in the 54-52 level, limiting downside risk. The stock indicates an intermediate-term objective in the mid-70's, followed by a longer-term upside potential of 84-108. Added to the Price Appreciation section of our Recommended List on May 5th, these shares again are recommended for purchase at current price levels.

Dow-Jones Ind. 863.31 HARRY W. LAUBSCHER for ANTHONY W. TABELL
Dow-Jones Rails 247.46 WALSTON & CO., INC.

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