INSTITUTE FOR ADVANCED STUDY

LARGEST HOLDINGS

	Book Cost	Market Value September 30, 1968
14,084 shs. I.B.M.	$ 6,360	$ 4,700,000
30,000 shs. Louisiana Land	70,148	2,100,000
17,850 shs. Texaco	162,906	1,500,000
22,000 shs. Newmont Mining	201,517	1,480,000
17,201 shs. Gulf Oil	96,450	1,420,000
19,800 shs. Coastal States Gas	48,375	1,370,000
17,500 shs. Skelly Oil	212,283	1,137,000
15,750 shs. Magma Copper	329,265	1,125,000
19,800 shs. Royal Dutch	334,908	1,070,000
24,328 shs. Crowell-Collier	171,095	925,000
8,000 shs. Schlumberger Ltd.	312,185	900,000
	$1,945,492	$17,727,000

INSTITUTE FOR ADVANCED STUDY

FLUCTUATIONS OF ASSET VALUE IN 1968

	(in $000's)	Common Stock	% Conv.	Dow-Jones Ind.
December 31, 1967	$51,016	83.2%	1.6%	905
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August 31, 1968	54,234	85.5	1.6	896
September 30, 1968	E.55,700	86.0	1.6	935

No adjustment made for withdrawals of principal.

JOHN W. BRISTOL & CO., INC.
233 BROADWAY
NEW YORK, N. Y. 10007

212-267-9000

October 24, 1968

CITIZENS FINANCIAL CORPORATION
Progress Report

COMMON STOCK DATA

Current Price	1968 Price Range	Earnings Per Share (a) 1966	1967	1968E	1969E	PER 1969E	Div.	Yield
24	27 - 18	$1.09	$1.27	$1.10	$1.35	17.8X	$.40	1.7%

(a) - Based on average shares, assuming conversion of debentures outstanding.

BACKGROUND

In September 1967, the committee authorized purchase of a private placement of Citizens Financial 5 3/4% sinking fund debentures with 30 warrants per bond, exercisable for seven years at 15 1/2. Citizens is a financial holding company controlling savings, commercial banking and mortgage lending institutions in Ohio. The Company is also expanding rapidly into financial consulting activities, including financial data processing and mortgage investment management services.

RECENT RESULTS

Since the private placement, Citizens has continued to report revenue and dollar earning gains, although without the mid-1967 acquisition of the Newark, Ohio Trust Co. (unconsolidated in reported figures) net for the first half of 1968 would actually have been down from a year ago by $120,000. Even including Newark, per share results dropped slightly due to the increase in average shares outstanding:

FIRST HALF RESULTS (000)

	1967	1968
Total Revenues	$3,732	$4,416
Pretax earnings of consolidated subsidiaries	523	338
Income Tax	150	85
After tax earnings of consolidated subsidiaries	373	253
Earnings of Newark Bank	--	159
Net Income	373	412
Average shares (b)	671	794
Earnings Per share (b)	$0.58	$0.53

(b) - Assuming conversion of subordinated convertible debentures.

These somewhat disappointing results to some extent reflect higher money costs and credit restraint, both of which exercise an important influence on the Company's operations. A more important factor, however, was the first half loss of $80,000 recorded by Champion Service Corp., the subsidiary which performs electronic data processing for savings and loan companies and other institutions.

Champion, which probably has the most exciting potential of any of Citizen's subsidiaries, has so far been a disappointment since the Company had anticipated a move into the black this year from a deficit of $59,000 in 1967. Much of the loss can be attributed to the increased cost of an IBM 360 system plus some non-recurring costs related to programming.

The Company states that it has learned many expensive lessons connected with joining computer systems with longline data transmission, lessons that future competitors will also have to learn. Champion currently is exploring alternative setups which will provide better utilization of this equipment and thereby spread fixed costs over greater revenues. Demand for services continues very strong. The Company states that cost control measures and a slowdown in undertaking new contracts having high initial costs are expected to provide a small profit in 1969, thus bringing about a swing in profits of $150,000 to $175,000.

With regards to other subsidiaries, by far the largest is Citizens Savings & Loan with assets of around $100 million. Despite higher money costs, earnings for the first six months of 1968 approximated $300,000 and are continuing to run ahead of 1967.

In 1967 Citizens acquired The Newark Trust Company, a "full service" commercial bank in the County seat of Licking County, Ohio, thirty miles from Columbus. This bank has continued its record of outstanding growth under Citizens, with first half earnings of $159,000 up from $99,000 in the first half of last year (last years first half results were not included in Citizens' 1967 earnings). As can be seen in the table above, Newark accounted for nearly 40% of Citizens' first half net.

During 1967 management formulated plans with a group of real estate management consultants to establish a subsidiary corporation specializing in the administration of commercial and multi-family projects as well as performing as consultants for the investors-owners of such properties. Such a subsidiary--80% owned by Citizens and called Certified Management Consultants, Inc.--was actually formed in March, 1968 with real estate properties under administration in excess of $5 million. A small profit from this subsidiary is expected this year.

All in all the Company now has nine subsidiaries. A rough estimate of 1968 earnings is provided below:

	(000)
Citizens Savings and Loan	$ 625
Newark Trust Company	300
Almour Securities (mortgage banking)	300
Ohio Escrow Services (real estate closings and escrow services)	5
Mid-State Mortgage (mortgage loan origination)	5
First Advisory Corp. (financial advisory service)	10
Central States Financial (modernization and improvement loans)	20
Certified Management Consultants	5
Champion Service Corp.	(150)
Expenses charged to central office	(260)
Estimated net income	860
Estimated earnings per share	$1.10

RECENT DEVELOPMENTS

There are two new developments of substantial potential importance in the Citizens picture:

a) Citizens has reached an agreement in principle to merge with Tower, Inc., which operates CATV systems in 19 communities in Ohio, Pennsylvania and West Virginia serving in excess of 30,000 subscribers. After the merger Tower will operate as a Citizen subsidiary.

Tower earned $235,000 in 1967, on revenues of $1.5 million; its prospects appear good. On a pro forma basis, the acquisition will add about $.04 a share to Citizens' earnings. An important consideration for the future is the fact that Tower has knowhow and facilities for microwave transmission, which eventually will be used to transmit data for Champion Services.

b) Citizens has an arrangement with Hayden, Stone under which that firm has filed a preliminary prospectus relating to the public offering of $4 million of shares of beneficial interest of a new real estate trust, National Mortgage Fund. National will acquire the assets of Selected Mortgage Investors, an existing real estate trust run by First Advisory Corp., a subsidiary of Citizens. A new management company will be set up to run National Mortgage, which will be owned by Citizens (50%), Hayden, Stone (25%), and Robert B. Scott (25%) The management fee basically will be 1% of the portfolio value plus an incentive bonus under certain conditions. This fee compares with 0.5% now being collected from Selected Mortgage Investors.

The addition of new equity into the trust should permit significant expansion of the mortgage portfolio and therefore the management fee. National Mortgage will have in excess of $8 million of shareholders equity and subordinated debentures as compared with $5.5 million now in Selected Mortgage Investors. The intention is to place "packages" of conventional mortgages tailored as to terms and rate with institutional lenders in an amount up to 80% of the aggregate appraised value of the properties covered by the mortgages in the package. National proposes to limit its liability to the amount by which the packages exceed 70% of the appraised value. This is a new financing device which, if successful, could greatly expand the portfolio of National Mortgage Investors.

FINANCIAL

The Company's 1967 balance sheet reflects a satisfactory financial condition with reasonable leverage:

5-5 1/2% Sinking Fund Debentures	$ 450,000	
5 3/4% Sinking Fund Debentures	4,000,000	
4 3/4%-5 1/2% Sub. Conv. Debentures	451,000	
Total Long Term Debt	$ 4,901,000	39%
Common Stock & Surplus	7,562,000	61
	$12,463,000	100%

Interest requirements on the year-end long term debt of $4,901,000 were approximately $275,000. This compares with pretax earnings of $947,000 (excluding Newark). Since the 5 3/4% debentures were sold near the end of the year, pretax income would probably have been about $200,000 less had interest for the full year been paid. Even adjusting pretax earnings downward by $200,000, there was a highly satisfactory 3.7 times interest coverage ($747,000 plus $275,000 interest divided by $275,000).

OUTLOOK

We remain highly optimistic over the outlook for Citizens. This year's earnings will probably be reported at around $1.10, which will compare with the reported $1.27 of 1967. However, this year's earnings are being stated on substantially more shares outstanding because of the offering late last year. A swing in earnings from Champion is almost certain to develop at some point and, if the Company is correct that this will be in 1969, earnings next year could be as much as $1.50. Citizens will also benefit from any improvement in money market conditions. The new ventures outlined above also could be an important plus in the situation.

OPERATING RECORD ($000)

Yr. End 12/31	Gross Income	Pre-tax Income	Pre-tax Margin	Net Income	Per Share Earn. Outst. (c)	Per Share Dividends	Price Range
1960	$1,426	$282	19.8%	$256	$0.47	$0.01	First
1961	2,095	452	21.5	425	0.79	0.01	Publicly
1962	2,994	692	23.2	658	1.20	0.01	Offered
1963	3,955	603	15.1	530	0.97	0.01	June 1964
1964	4,583	738	16.1	541	0.99	-	8 - 6
1965	5,157	836	16.1	604	1.10	0.07	7 - 5
1966	6,191	931	15.1	687	1.09	0.07	8 - 6
1967	7,760(b)	947(b)	12.0	851(a)	1.27(a)	0.28	15 - 8

(a) - Including equity in net earnings of Newark Trust Company for half year.
(b) - Excludes Newark.
(c) - Assumes conversion of all outstanding debentures; based on average shares outstanding.

WMG:lh
10-24-68

John W. Bristol & Co., Inc.

Oct. 9

JOHN W. BRISTOL & CO., INC.
233 BROADWAY
NEW YORK, N. Y. 10007

CORTLANDT 7-1137

INSTITUTE FOR ADVANCED STUDY

Memo to Mr. Leidesdorf
Mr. Schur
Mr. Hochschild
Mr. Shanks
Mr. Strauss
Mr. Dilworth
Mr. Hansmann

The next meeting of the Finance Committee will be held on Wednesday, October 9, 1968 at the Pinnacle Club, 150 East 42nd Street, New York City at 11:00 A. M.

September 11, 1968

JOHN W. BRISTOL & CO., INC.
233 BROADWAY
NEW YORK, N. Y. 10007

212-267-9000

Memo to Mr. Schur
Mr. Hochschild
Mr. Shanks
Mr. Strauss
Mr. Dilworth
Mr. Hansmann

October 4, 1968

INSTITUTE FOR ADVANCED STUDY

Agenda for Meeting of the Finance Committee
Wednesday, October 9, 1968, at 11:00 A. M.
at the Pinnacle Club, 150 East 42nd Street, New York, N.Y.

1. Report by the Chairman

2. Ratify investment changes since last meeting
(Schedule attached)

3. Investment Review:

- List of holdings as of September 30, 1968
(to be submitted)
- Breakdown of Assets as of September 30, 1968
- List of largest equity holdings.

4. Ratify recent investment changes:

SALES

Eliminations:	Price Range
8,000 shs. C.N.A. $1.10 Conv. Pfd.	31 - 31 1/4
6,400 shs. C.N.A., common stock	46 3/4

PURCHASES

Additions to Current Holdings:	
3,500 shs. Deere & Co.	53 1/2
3,500 shs. H. & A. Selmer, Inc.	19 - 19 3/8

5. Pending Orders:

Elimination of Small Holding:

4,900 shs. Arkansas Louisiana Gas

Reduction of Current Holding:

5,000 shs. Celanese Corporation, common stock
(15,000 shs. are now held)

6. Discuss tender offer by Hartford Fire for majority of outstanding shares of Minnesota National Life Ins. Co. at $8.50 per share.
   (Present holding: 15,000 shares)

7. Suggested Purchase:

	Approx. Cost
15,000 shs. Sun Oil $2.25 Conv. Pfd., when issued (Memo dated July 8, 1968)	$800,000*

* 20% to be paid now; balance only if and when Sun Oil-Sunray DX Oil merger becomes effective. If merger denied by Justice Department, transaction will become void.

John W. Bristol & Co., Inc.

INSTITUTE FOR ADVANCED STUDY

CHARACTERISTICS OF PORTFOLIO

Present Make-Up

		Approximate Market Value (In $000's)	% of Assets
I.	Non Convertible Fixed Income Securities		
	a) Short Term Securities $3,700		
	b) Bonds & Mortgages 2,900		
		$ 6,600	11.9%
II.	Convertible Securities	1,100	2.0
III.	Equities		
	a) "Money" stocks - market fluctuations tied to trend of long term interest rates: Utilities, Banks & Insurance.	13,500	24.3
	b) Non durable consumer products - steady but generally moderate growth: Food, Retailing, Drugs, Services, Tobacco.	4,800	8.7
	c) Cyclical growth - trend of revenues and profits fluctuating in line with level of consumer expenditures for durable goods and with level of capital expenditures: Automobiles, Building, Machinery, Chemicals, Paper, Steel.	9,900	17.9
	d) Natural Resources: Oils & Metals.	14,820	26.7
	e) Office Equipment	4,700	8.5
		$55,420	100.0%

INSTITUTE FOR ADVANCED STUDY

SUMMARY OF PURCHASES AND SALES

Since Last Meeting

SALES

I.
Maturities

		Proceeds
1,300 M	U.S. Treasury Bills 5% Matured 5-16-68	$ 1,283,569.44
300 M	Pennzoil Notes 6 1/2% Matured 6-30-68	400,000.-
300 M	Federal Land Bank 4 1/4% Matured 8-20-68	300,000.-
		$ 1,983,569.44
250 M	Television Communications Corp. 7% Note Due 8-1-72	$ 250,000.-

Called

15 M	Home Oil Co. Note 5 1/2% Due 9-1-71	$ 15,000.-

Payment

142,857.14	Export Import Bank of Washington 5.50% Due 2-24-73	$ 142,857.14

II.
Preferreds

20,000 shs.	Brown-Forman Distillers 4% Pfd.	$ 121,761.96
7,200 shs.	Getty Oil $1.20 Pfd.	138,540.81
1,000 shs.	N.Y. Times 5 1/2% Pfd.	85,474.-
		$ 345,776.77

III.
Equities

	Reduction of current holdings.	
1,534 shs.	Int'l. Business Machines	$ 504,883.66
	Eliminations:	
8,000 shs.	Norwich Pharmical	327,318.83
52,620 shs.	Television Communications Corp. (tendered)	60,192.38
11,764 shs.	Transamerica	794,196.40
		$ 1,686,591.27

SALES (continued)

Sold Fraction

		Proceeds
48/100	Transamerica Corp.	$ 25.98

Sold Fraction

69/100	Georgia Pacific	51.06
		$ 77.04

PURCHASES

I.
Short Term Securities

		Cost
1,300 M	U. S. Treasury Bills 5.86% Due 4-30-69	$ 1,226,359.33
500 M	Federal Land Bank 5.60% Due 4-21-69	499,375.-
		$ 1,725,734.33

II.
Equities

8,000 shs.	Warner Lambert Pharmaceutical	$ 386,799.41
3,000 shs.	Central & Southwest	124,928.90
2,800 shs.	Kansas City Power & Light	90,580.-
4,400 shs.	Virginia Electric Power	128,954.93
		$ 731,263.24

4/3 Stock Split
3,465 shs. Virginia Electric & Power

Received - Merger

11,037 shs. Damon Engineering Inc.
in exchange for
250 M I. E. C. 6 1/2% Notes Due 6-30-81 w/wts.

2/1 Stock Split (pay 5-23-68)

7,000 shs. I. B. M. Corp.

Received liquidating payment

300 M Wise Homes Deb. "B" 6 3/4% Conv. Due 4-1-72 $ 4,949.17

Received 1% Stock Dividend

85 69/100 Georgia Pacific Corp.
also 86 54/100 " " "

PURCHASES (continued)

Received as Stock Dividend on J. Ray McDermott

250 shs.	Trans Ocean Oil

2/1 Stock Split

4,000 shs.	Federated Dept. Stores

2/1 Stock Split

7,000 shs.	West Virginia Pulp & Paper

Received from I-1

84 shs.	IBM

Received in Exchange

3,077 shs.	Ariz.-Colo. Land & Cattle Co.
6,878 shs.	Ariz.-Colo. Land & Cattle $18.50 Wts.
6,531 shs.	Ariz.-Colo. Land & Cattle $ 6.12 Wts.

For

4,000 shs.	Arizona - Colorado Cattle Co.
7,161 shs.	Arizona - Colorado Cattle Co. $17.77 Wts.
8,000 shs.	Arizona - Colorado Cattle Co. $ 5.00 Wts.

JOHN W. BRISTOL & CO., INC.
233 BROADWAY
NEW YORK, N. Y. 10007

212-267-9000

Memo to Mr. Schur
Mr. Hochschild
Mr. Shanks
Mr. Strauss
Mr. Dilworth
Mr. Hansmann

October 10, 1968

INSTITUTE FOR ADVANCED STUDY

Minutes, Meeting of the Finance Committee
October 9, 1968 at The Pinnacle Club, N.Y.C.

1. Present:

Mr. Schur	Mr. Hansmann
Mr. Shanks	Mr. Bristol
Mr. Dilwoth	

2. Investment changes on the attached schedule were ratified.

3. After a review and discussion of the portfolio the following changes were approved:

SALES:

8,000 shs.	CNA $1.10 conv. pfd.
6,400 shs.	CNA common
4,900 shs.	Arkansas Louisiana Gas
5,000 shs.	Celanese Corp. (retain 10,000 shs.)

PURCHASES:

3,500 shs.	Deere & Co.
5,000 shs.	H. & A. Selmer Inc.
15,000 shs.	Sun Oil $2.25 conv. pfd.

4. The Committee approved accepting tender offer of $8.50 per share for 15,000 shares Minnesota National Life Insurance Co.

5. The Committee ratified purchase in August 1967 of 1,000 shares Atlantic Richfield $3.00 cum. conv. pfd. stock and of $500,000 U. S. Treasuries, 4 7/8% due 11/15/67.
(A request by auditors)

John W. Bristol & Co., Inc.

INSTITUTE FOR ADVANCED STUDY

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Since Last Meeting

SALES

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Maturities

		Proceeds
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SALES (continued)

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PURCHASES

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500 M	Federal Land Bank 5.60% Due 4-21-69		499,375.-
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Mr. Hochschild
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Mr. Hansmann

October 4, 1968

INSTITUTE FOR ADVANCED STUDY

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at the Pinnacle Club, 150 East 42nd Street, New York, N.Y.

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(Schedule attached)

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     (to be submitted)
   - Breakdown of Assets as of September 30, 1968
   - List of largest equity holdings.

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(15,000 shs. are now held)

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INSTITUTE FOR ADVANCED STUDY

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b) Non durable consumer products - steady but generally moderate growth: Food, Retailing, Drugs, Services, Tobacco.		4,800	8.7
c) Cyclical growth - trend of revenues and profits fluctuating in line with level of consumer expenditures for durable goods and with level of capital expenditures: Automobiles, Building, Machinery, Chemicals, Paper, Steel.		9,900	17.9
d) Natural Resources: Oils & Metals.		14,820	26.7
e) Office Equipment		4,700	8.5
		$55,420	100.0%

INSTITUTE FOR ADVANCED STUDY

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INSTITUTE FOR ADVANCED STUDY

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Since Last Meeting

SALES

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Maturities — Proceeds

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300 M	Pennzoil Notes 6 1/2% Matured 6-30-68	400,000.-
300 M	Federal Land Bank 4 1/4% Matured 8-20-68	300,000.-
		$ 1,983,569.44
250 M	Television Communications Corp. 7% Note Due 8-1-72	$ 250,000.-

Called

15 M	Home Oil Co. Note 5 1/2% Due 9-1-71	$ 15,000.-

Payment

142,857.14	Export Import Bank of Washington 5.50% Due 2-24-73	$ 142,857.14

II.
Preferreds

20,000 shs.	Brown-Forman Distillers 4% Pfd.	$ 121,761.96
7,200 shs.	Getty Oil $1.20 Pfd.	138,540.81
1,000 shs.	N.Y. Times 5 1/2% Pfd.	85,474.-
		$ 345,776.77

III.
Equities

	Reduction of current holdings.	
1,534 shs.	Int'l. Business Machines	$ 504,883.66
	Eliminations:	
8,000 shs.	Norwich Pharmical	327,318.83
52,620 shs.	Television Communications Corp. (tendered)	60,192.38
11,764 shs.	Transamerica	794,196.40
		$ 1,686,591.27

SALES (continued)

Sold Fraction

		Proceeds
48/100 Transamerica Corp.	$	25.98

Sold Fraction

69/100 Georgia Pacific		51.06
	$	77.04

PURCHASES

I.
Short Term Securities

		Cost
1,300 M	U. S. Treasury Bills 5.86% Due 4-30-69	$ 1,226,359.33
500 M	Federal Land Bank 5.60% Due 4-21-69	499,375.-
		$ 1,725,734.33

II.
Equities

8,000 shs.	Warner Lambert Pharmaceutical	$ 386,799.41
3,000 shs.	Central & Southwest	124,928.90
2,800 shs.	Kansas City Power & Light	90,580.-
4,400 shs.	Virginia Electric Power	128,954.93
		$ 731,263.24

4/3 Stock Split
3,465 shs. Virginia Electric & Power

Received - Merger

11,037 shs. Damon Engineering Inc.
in exchange for
250 M I. E. C. 6 1/2% Notes Due 6-30-81 w/wts.

2/1 Stock Split (pay 5-23-68)

7,000 shs. I. B. M. Corp.

Received liquidating payment

300 M Wise Homes Deb. "B" 6 3/4% Conv. Due 4-1-72 $ 4,949.17

Received 1% Stock Dividend
85 69/100 Georgia Pacific Corp.
also 86 54/100 " " "

PURCHASES (continued)

Received as Stock Dividend on J. Ray McDermott

250 shs. Trans Ocean Oil

2/1 Stock Split

4,000 shs. Federated Dept. Stores

2/1 Stock Split

7,000 shs. West Virginia Pulp & Paper

Received from I-1

84 shs. IBM

Received in Exchange

3,077 shs.	Ariz.-Colo. Land & Cattle Co.
6,878 shs.	Ariz.-Colo. Land & Cattle $18.50 Wts.
6,531 shs.	Ariz.-Colo. Land & Cattle $ 6.12 Wts.

For

4,000 shs.	Arizona - Colorado Cattle Co.
7,161 shs.	Arizona - Colorado Cattle Co. $17.77 Wts.
8,000 shs.	Arizona - Colorado Cattle Co. $ 5.00 Wts.

JOHN W. BRISTOL & CO., INC.
233 BROADWAY
NEW YORK, N. Y. 10007

CORTLANDT 7-1137

July 8, 1968

MERGER OF SUNRAY DX
With and Into
SUN OIL

Purchase Recommendation: Sunray DX, Common Stock

	Present Price	Pro Forma Earnings 1966	1967	E. 1968	P/E Ratio E. 1968	Indicated Div.	Yield
Sunray DX[1]	48					\$2.25	4.7%
Sun Oil	69	\$4.17	\$4.88	\$5.50	12.5X	\$1.00	1.4%

(1) - to be exchanged for one share of new Sun Oil \$2.25 Preferred convertible into .65 share Sun Oil

PRO FORMA COMBINED STATEMENT OF INCOME [2]

	(in thousands of dollars) 1967	1966	1965	1964	1963
Revenues	\$1,765,334	\$1,606,986	\$1,434,127	\$1,323,397	\$1,342,118
Costs and expenses	1,542,224	1,415,236	1,275,729	1,197,846	1,210,618
Income before extraordinary items	163,040	146,167	124,388	104,300	103,744
Extraordinary items, net of taxes	--	17,280	--	--	--
Pro forma net income	163,040	163,447	124,388	104,300	103,744
Less dividends on \$2.25 cum. conv. pfd. stock to be issued	41,540	41,540	41,540	41,540	41,540
Balance of pro forma net income applicable to common stock	121,500	121,907	82,848	62,760	62,204
Pro forma earnings per share					
Before conversion	\$4.88	\$4.17	\$3.30	\$2.50	\$2.48
After conversion	4.39	3.94	3.35	2.81	2.79

(2) - reflects adjustment to conform the accounting policies of Sunray to those of Sun with respect to intangible development costs and foreign and offshore exploration costs.

SUMMARY AND CONCLUSION

The merger of Sunray DX with and into Sun Oil, which has been approved by both companies "stockholders" and is expected to become effective on August 1, 1968, offers the investor a unique opportunity to acquire a high grade convertible preferred with limited downside risk due to the $2.25 dividend and substantial capital gains possibilities due to what we consider will be an excellent "marriage".

The merger seems logical since each company will complement the other. There is very little overlap in marketing areas. Both will benefit through transportation and refining economies. Sun Oil has an interesting involvement in the new Sassan field in offshore Iran. In addition, Sun has invested $240 million in the promising Athabasca tar sands of Canada.

Sunray recently completed a commercial discovery offshore Texas, and the company is expanding rapidly in chemicals and agricultural fertilizers.

Sun reported earnings of $4.32 per share in 1967. Had the merger been in effect for the year, per share earnings before dilution from conversion of the SDX preferred (not taking into account any cost savings or operating efficiencies) would have been $4.88 or 12.9% more than pre-merger. The creation of a convertible preferred, of course, adds leverage to common earnings.

Sunray DX common is recommended for purchase. Its present price reflects a small premium over its conversion parity. This is justified by the 4.7% yield it will provide after the merger is consummated vs 1.4% return on Sun Oil common whose marketability is very restricted.

THE TERMS

Sun Oil will be the surviving company. Sun Oil will issue a new $2.25 preferred for each Sunray DX share, convertible into 0.65 of Sun Oil common. The preferred could be redeemed by Sun at $60 a share on or after June 1, 1975.

THE MERGED COMPANIES

The combined companies will be active in oil exploration and production in most of the prominent petroleum extractive regions of this country and of the world. It will have an efficient network of crude oil and product pipelines and ocean-going tankers for raw material and finished goods movement. It will have manufacturing facilities located in key strategic positions surrounding its market territories, able to process a variety of raw materials. Its markets will extend from the east coast to the Rocky Mountain states and into southern Canada. Its growth areas will include the rapidly expanding fields of synthetic crude oil, offshore oil, petrochemicals, agricultural chemicals and minerals.

SUN OIL

Sun Oil Company is engaged in substantially all phases of the oil industry, including the acquisition and development of prospective and proved oil and gas lands and leases both domestic and foreign; the production, purchase, sale, transportation and refining of crude oil and its derivatives; and the transportation and marketing both wholesale and retail of the products of crude oil primarily in eastern United States and eastern Canada. Sun also sells a large portion of its foreign crude oil production in markets outside the United States and Canada. Also, it sells certain specialty lubricating products in Europe.

INCOME STATISTICS (million $)

Yr. End Dec. 31	Gross Oper. Income	Deprec. & Depl.	Net Before Taxes	Net Income	Per Share Earns.	Per Share Cash Flow
1958	$ 721.8	$86.5	$ 25.86	$ 32.06	$1.32	$4.88
1959	735.7	91.5	54.44	42.84	1.76	5.55
1960	749.8	96.8	54.67	49.27	2.04	6.04
1961	775.6	95.8	56.69	49.79	2.06	6.01
1962	794.0	85.8	66.39	53.19	2.19	5.76
1963	844.1	88.1	79.98	61.22	2.57	6.26
1964	838.3	89.8	88.66	68.51	2.87	6.63
1965	925.2	94.2	114.16	85.52	3.59	7.54
1966	1,047.3	94.4	131.63	100.57	4.23	8.20
1967	1,151.7	99.5	147.03	108.58	4.32	8.28

SUNRAY DX OIL CO.

Sunray DX's business activity is primarily divided between extractive operations and commercial operations of the oil industry with recent expansion into agricultural chemicals. The extractive operations include the exploration for, and the acquisition and development of, prospective and proved oil and gas reserves and leases and the production of liquid hydrocarbons and natural gas. The commercial operations generally include the transportation and refining of crude oil and its derivatives and the transportation and marketing of the products resulting from such refining mostly in the mid-continent area of the United States. Recently Sunray DX expanded its operation into manufacturing and marketing of agricultural chemicals.

INCOME STATISTICS (million $)

Yr. End Dec. 31	Gross Oper. Income	Deprec. & Depl.	Net Before Taxes	Net Income	Per Share Earns.	Per Share Cash Flow
1958	$364.32	$43.56	$51.79	$40.66	$2.14	$4.62
1959	442.39	48.57	55.75	43.81	2.25	5.02
1960	455.51	48.83	54.23	41.12	2.10	4.84
1961	466.59	51.88	51.06	39.93	2.03	5.20
1962	463.61	53.84	41.20	36.20	1.90	5.28
1963	474.83	49.14	49.73	41.87	2.28	5.39
1964	464.05	50.63	35.36	35.18	1.92	5.15
1965	482.57	54.46	43.37	37.54	2.10	5.06
1966	530.09	60.29	60.21	45.59	2.47	5.74
1967	582.79	60.22	76.16	54.46	2.95	6.21

MANAGEMENT

Hopefully the combined companies will be able to call on the best talents of both organizations. However, the surviving company, Sun, will dominate the board with twelve out of sixteen members. Viewing the past record of Sun Oil this looks like a positive development.

RISKS

1. Although unexpected there could be justice department opposition to the merger.

2. Helmerich & Paine (which own 3.4% SDX) has in the past expressed opposition to the merger. Recently, however, they said although opposed they would make no attempt to block any deal.

3. Until any merger is completed there is the risk that the merger will be called off by one or both of the interested parties.

Should any of the above come about the investor will own the common stock of Sunray DX with estimated earnings of $3.10 and a dividend of $1.42 1/2. Currently inflated somewhat due to the excellent prospects of the merger working out Sunray DX, should the merger fall through, could sell in the area of $40 per share.

THE REWARDS

With these two companies complementing each other so nicely we can envision substantial rewards. More efficient use of productive facilities and tankers; better geographic diversification and thus overall firmer prices, the operation of two companies under one management and the obvious savings in personnel argur well for the future. Both companies recently won vital bids for offshore drilling claims.

PROSPECTS

Some of the above savings can be effected from the day of the merger, others will take years. The savings in labor will come about by attrition and thus in our judgement will not make their contribution to earnings felt until 1970-71.

RECOMMENDATION

On a pro forma basis we estimate earnings this year of $5.50 vs. $4.88 in 1967. We can envision earnings of $7.50-$9.00 in 1970-71 as the total efficiencies of the merger are realized. With the $2.25 dividend limiting downside risk and the solid prospect of earnings growth enhancing upside potential Sunray DX is recommended for purchase as the most practical way to share in the growth of Sun Oil, whose stock is only thinly traded.

PJJ:lh
7-8-68

John W. Bristol & Co., Inc.

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233 BROADWAY
NEW YORK, N. Y. 10007

CORTLANDT 7-1137

INSTITUTE FOR ADVANCED STUDY

Memo to Mr. Leidesdorf
Mr. Schur
Mr. Hochschild
Mr. Shanks
Mr. Strauss
Mr. Dilworth
Mr. Hansmann

The next meeting of the Finance Committee will be held on Wednesday, October 9, 1968 at the Pinnacle Club, 150 East 42nd Street, New York City at 11:00 A. M.

September 11, 1968

JOHN W. BRISTOL & CO., INC.
233 BROADWAY
NEW YORK, N. Y. 10007

CORTLANDT 7-1137

July 8, 1968

MERGER OF SUNRAY DX
With and Into
SUN OIL

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PJJ:lh
7-8-68

John W. Bristol & Co., Inc.

JOHN W. BRISTOL & CO.
INCORPORATED
233 BROADWAY
NEW YORK, N. Y. - 10007
CORTLANDT 7-1137

Memo to Mr. Leidesdorf
Mr. Schur
Mr. Hochschild
Mr. Shanks
Mr. Strauss
Mr. Dilworth
Mr. Hansmann

April 18, 1968

INSTITUTE FOR ADVANCED STUDY

Agenda for Meeting of the Finance Committee
Friday, April 26, 1968, at 11:30 A. M.
at the Fuld Hall in Princeton, New Jersey

1. Report by the Chairman

2. Ratify investment changes between October 25 meeting and April 15
(Schedule attached)

3. Investment Review:

- List of holdings as of March 29, 1968;
- Breakdown of Assets as of April 17, 1968;
- List of largest equity holdings.

4. Ratify recent investment changes:

SALES

	Approx. Proceeds
8,000 shares Norwich Pharmacal Company (Progress Report dated April 10, 1968)	$325,000

PURCHASES

	Approx. Cost
8,000 shares Warner Lambert (Memo dated January 24, 1968)	$380,000

5. Discuss merger of I. E. C. into Damon Engineering. In exchange for $250,000 notes and warrants, the Institute will receive 10,991 shares of Damon Engineering having a present market value of $560,000 (Book Cost will remain $250,000)
(Memo dated March 29, 1968)

6. For Information:

- Eltra Corporation
(Memo dated January 23, 1968)
- O. M. Scott & Sons Co.
(Memo dated December 5, 1967)

John W. Bristol & Co., Inc.

INSTITUTE FOR ADVANCED STUDY

SUMMARY OF PURCHASES AND SALES

Since October 25, 1967

PURCHASES

Short-Term	Cost
600 M U.S. Treasury Bills 4.63%, due 2-15-68	$ 592,977
300 M Federal Land Bank 4.25%, due 8-20-68	297,281
800 M U.S. Treasury Bills 4.96%, due 4-4-68	790,080
1,300 M U.S. Treasury Bills 5%, due 5-16-68	1,283,569
1,000 M U.S. Treasury Bills 5.16%, due 10-31-68	969,900
	$3,933,807
Private Placements	
400 M Citizens Financial S. F. Deb. 5 3/4%, due 11-1-87 w/wts.	$ 400,000
Equities	
a) Increase of Existing Holdings	
9,000 shs. H. & A. Selmer	$ 200,250
4,500 shs. Deere & Co.	232,936
6,500 shs. Eltra Corporation	217,774
880 shs. Shell Oil (be exercising rights)	44,000
b) New Holdings	
7,000 shs. Kimberly-Clark Corp.	400,953
2,000 shs. United Convalescent Hospitals (see Sales)	20,000
5,000 shs. O. M. Scott & Sons Co.	151,197
	$1,267,110

SALES

Maturities & Sales	Proceeds
600 M U.S. Treasury Bills matured 11-16-67	$ 598,013
600 M Federal Land Banks 5.875% matured 12-20-67	600,000
450 M Federal Intermediate Credit Bank 4.45% matured 1-2-68	450,000
750 M Federal Intermediate Credit Bank 4.45%, due 1-2-68 (Sold)	749,414
800 M General Motors Acceptance 4.826% matured 1-5-68	800,000
500 M U.S. Treasury Notes 5.625% matured 2-15-68	500,000
600 M U.S. Treasury Bills matured 2-15-68	592,977
800 M U.S. Treasury Bills matured 4-4-68	790,080
	$5,080,484
Called	
$142,857 Export Import Bank of Washington	$ 142,857
$ 32,000 Arvida 6%, due 4-1-76	32,000
$174,500 Coastal States Gas Producing 5 1/2%, due 6-1-77	171,010
	$ 345,867
Corporate Bonds	
50 M Missouri Pacific 4 1/4%, due in 1990	$ 33,493
40 M Celanese Corp. Conv. Deb. 4%, due in 1990	32,154
150 M Missouri Pacific 4 1/4%, due in 2005	92,248
	$ 157,895
Equities	
a) Reduction of Existing Holdings	
5,000 shares Chrysler Corporation	$ 270,296
2,000 shares Schlumberger Limited	157,308
b) Eliminations	
8,700 shares Massey Ferguson Ltd.	140,173
330 shares Northern Natural Gas Pfd.	29,011
5,100 shares Arkansas Louisiana Gas	176,901
2,000 shares United Convalescent Hospitals	28,247
	$ 801,936

JOHN W. BRISTOL & CO.
INCORPORATED
233 BROADWAY
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CORTLANDT 7-1137

INSTITUTE FOR ADVANCED STUDY

ESTIMATED BREAKDOWN OF ASSETS

as of April 17, 1968

Cash & Obligations due within one year	$ 3,770,000 (1)	7.4%	
Other Government bonds	1,540,000	3.0	
Corporate bonds not convertible	1,057,000 (2)	2.1	
Others	351,000	0.7	
Convertible bonds	832,000	1.6)	) 86.8%
Common Stocks	43,500,000 (3)	85.2)	
	$51,050,000	100.0%	

(1) Including $310,000 to be received on April 16, 1968 for sale of Television Communications note and stocks;

(2) Adjusted for sale of $250,000 Television Communications note and prospective exchange of $250,000 I.E.C. note & warrants for Damon Engineering shares;

(3) As of March 31, 1968:	$40,640
+ Appreciation since March 29, 1968	2,300
+ Damon Engineering	560
	$43,500

Assets as of December 31, 1967: $51,016,000

JOHN W. BRISTOL & CO.
INCORPORATED
233 BROADWAY
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CORTLANDT 7-1137

April 10, 1968

NORWICH PHARMACAL COMPANY

Progress Report

Present Price	1967/68 Price Range	Per Share Earnings 1965	1966	1967	1968E	P/E Ratio	Dividend	Yield
43	30 - 49	$1.15	$1.34	$1.57	$1.80	24X	$0.75	1.7%

OPERATING RECORD (1)

Yr. End. Dec. 31	Net Sales ($ mill.)	Pre-Tax Income ($ mill.)	% Margins	Per Share Earnings	Per Share Dividend	Price Range	P/E Range
1958	$ 37.15	$ 8.85	23.8%	$0.57	$0.31	14 - 8	25 - 14
1959	40.67	10.28	25.2	0.68	0.36	23 - 12	34 - 18
1960	45.16	11.81	26.2	0.78	0.42	29 - 19	38 - 24
1961	48.23	12.80	26.5	0.82	0.52	35 - 21	43 - 25
1962	51.86	13.12	25.8	0.85	0.52	39 - 16	35 - 19
1963	53.02	13.28	25.0	0.89	0.52	22 - 16	25 - 18
1964	59.69	15.59	26.1	0.99	0.54	21 - 16	22 - 16
1965	63.72	16.89	26.5	1.15	0.59	28 - 21	24 - 18
1966	97.30	20.86	21.4	1.34	0.64	31 - 23	23 - 17
1967	114.86	23.11	20.1	1.57	0.67	49 - 30	28 - 17
1968 E.				1.80	0.75	49 - 39	

(1) Including acquisition of Texize Chemical after 1965.

1967 RESULTS

Earnings per share advanced to $1.57, up 17% from the previous year. Good gains were experienced in all areas. Pepto-Bismol responded to an increase in colds and flu-type ailments. Ethical drugs, largely Furadantin and derivatives, grew substantially aided to a modest extent by increased use of these drugs in Viet Nam.

The acquisition of Texize Chemicals, Inc. on November 30th added about $0.04 per share to earnings. This entry into the household specialty cleaning products field now accounts for about 27% of Norwich's sales, but about 15% of earnings. Inclusion of Texize in operating figures reduces operating margins substantially as indicated in the attached table.

1968 PROSPECTS

We believe earnings momentum can continue at a rate of 15% for the year ending December 31, 1968, to the level of $1.80 per share.

INVESTMENT CONCLUSIONS

Over the last 10 years Norwich has increased earnings per share at an annual rate of 12.2%. Although this is an excellent record, we believe that the current stock price is too high relative to future prospects and relative to other investment opportunities.

By far the most profitable product group, and a sizeable contributor to past growth, are the nitrofuran derivatives, primarily Furadantin and Furacin. Since these products are high-priced and the basic patents expire in 1969, generic competition looms as a very substantial threat to profit margins.

Our progress report of November 1966 discussed the potential of a then just approved coccidiostat, Bonaid, aimed at the $30 million domestic animal feed additive market. To date progress has been disappointing due to production problems and slow market acceptance of new products. Merck, now the major factor in this market, will have an equally good product late in 1968. Coupled with an existing dominant position and effective marketing force, Merck's product will probably exert pressure against market penetration by Bonaid. Thus, while Bonaid could offset some margin pressures on Furadantin, this does not now appear to be a source of really large earnings in future years.

Texize Chemicals has excellent products and consumer acceptance of Fantastic, a specialty household cleaner. However, a high price was paid for the company just at a time when competition began to blossom from Proctor & Gamble and Bristol Myers.

At a price of $43, and a price/earnings ratio of 24 times the 1968 estimate, the stock does not seem to reflect the obvious hazzards of a major profit squeeze in ethical drug sales. We believe the current price reflects investor enthusiasm generated by:

1) The historical record;
2) Continued substantial earnings gains in 1968;
3) Overoptimistic prospects for Bonaid;
4) The Texize acquisition (and prospects for others);
5) Prospects that Norwich will be acquired for a price in the low 50s.

With the exception of the last item, we do not believe the marketplace is correctly evaluating the risk-reward prospects of Norwich. Although credible rumors indicate Norwich is the subject of another firm's acquisition program, we cannot base an investment decision on such tenuous considerations. Therefore, in our judgment, the risks far outweigh the potential gains in Norwich over the next few years especially in view of other investment alternatives. Specifically, at 24 times earnings Norwich is at the high of its P/E ratio range since 1963, and compares with multiples of:

24 for American Home Products
22 for Warner Lambert
29 for Merck
26 for Lilly

all of which have solid, above average longer term prospects. We recommend that the Norwich holding be used as a source of funds to consolidate and improve prospects for portfolio performance.

DAH/hm

John W. Bristol & Co., Inc.

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CORTLANDT 7-1137

January 24, 1968

WARNER LAMBERT

Current Price	1967 Price Range	Earnings Per Share 1965	1966	1967E	1968E	PER 1968E	Indicated Dividend	Yield
40	37 - 55	$1.61	$1.83	$1.75	$2.00	20.0X	$1.00	2.5%

BACKGROUND AND RECOMMENDATION

Warner Lambert is a broadly diversified company primarily oriented toward ethical and proprietary drugs. For 1966, adjusted to include the acquisition of American Optical the breakdown was as follows:

	1966 Sales (millions)
American Optical	149.7
Ethical Drugs	136.0
Proprietaries	135.6
Gums & Mints	120.3
Toiletries & Cosmetics	49.0
Glass Containers	11.7
	601.3

In addition to a broad product line, Warner Lambert is diversified geographically with about 35% of sales and earnings generated in foreign markets during 1966 (excluding American Optical which was acquired in 1967).

Historically Warner Lambert has shown rather consistent growth. From 1962 through 1966 earnings grew at the rate of 14% compounded. Future progress is estimated at or above a rate of 10%. 1967 will be an exception to this trend for reasons discussed below. For this reason and general market weakness, the stock has declined to the $40 per share area. We expect a resumption of earnings progress in 1968 and beyond.

At 20 times estimated 1968 results, Warner Lambert is selling at the lower end of the multiple range experienced in recent years. We recommend adding to holdings at present prices for long term growth as well as an improving situation currently.

REVIEW OF 1967 OPERATIONS

Proprietary items continued to grow in excess of 10%. However, a large segment of this business is contributed by Listerine mouthwash. During 1966 the mouthwash field become intensely competitive as new products were introduced, notably, Procter & Gamble's Scope. To counter Scope and other new entries Warner Lambert entered into a series of deals which overloaded the trade with inventories and which inflated sales for 1966. Substantial advertising increases were begun in early 1967 to move the product out of dealer inventory. Presently the advertising-to-sales ratio is trending back to normal. Since Procter & Gamble generally tries to bring a new product into the black during its second year, if advertising for Scope is cut back to normal proportions then Listerine can also be cut back. The balance of this product area is continuing to grow something in excess of 10%.

The gain in ethical drug sales during 1967 probably will not exceed the 10% gain registered in 1966. However, expenses will rise more rapidly thus reducing profits in this area. Most ethical products are older and unpatented but a very fine marketing organization has managed to increase sales by 13% annually since 1960. Growth is slowing somewhat for these products and no significant new product introductions appear likely for another year or so. However, we do not expect any further pressure on profit margins and the division should not materially retard the overall progress of Warner Lambert in the next few years.

Gums, mints and confectioneries (American Chicle) should continue to progress at about 15% annually aided largely by gains overseas. American Optical had another good year in 1967, but not of a magnitude that recent experience would suggest, 10% versus 15%. However, earnings are continuing to increase faster than sales as the now sizeable sales in non-opthalmic products (instruments, medical electronics, etc.), which are high margin items, are growing faster than opthalmic products.

Earnings for 1967 may be 5% below 1966 results because:

		Approx. Cost Per Share
1)	Heavy advertising for 4 new proprietary products	10¢
2)	Advertising to protect Listerine	10¢
3)	Devaluation of the pound	3¢
4)	A number of facility relocations	2¢
5)	Contracting earnings in ethicals	?
		25¢ +

FUTURE PROSPECTS

All of these items may be considered non-recurring in assessing future prospects although they cannot be considered outside management's control. Present estimates for 1968 are in the area of $2. 00 per share, up about 10% to 12%, and longer term growth of this magnitude can be a reasonable expectation. An additional source of optimism stems from recent management additions. Mr. Stuart Hensley (former President of Gillette) is now Chairman of Warner Lambert and Mr. Burke Giblin (a former executive Vice President of General Foods) is now President. Thus, top management has been significantly strengthened, enhancing our favorable estimate for the company's further growth prospects.

DAH:lh
1-24-68

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CORTLANDT 7-1137

April 18, 1968

DAMON ENGINEERING INC.

6 Month Earnings as of February 29, 1968 as Released on April 16, 1968

	1968	1967
Sales	$2,820,000	$1,090,000
Net Income	$ 244,697	$ 97,280
Per Share Earnings	$0.30	$0.13

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CORTLANDT 7-1137

January 23, 1968

ELTRA CORPORATION
Common Stock

Present Price	1967-68 Price Range	Per Share Earnings* 1966	1967	1968E.	P/E Ratio	Current Dividend	Yield
		- - - (Sept. Year) - - -					
36	39 3/4 - 30	$2.29	$2.70	$3.00+	12X	$1.00	2.8%

* Assuming full conversion.

CAPITALIZATION (as of September 30, 1967)

	At Book (in $000's)	At Market (in $000's)
Long Term Debt	$ 2,655	$ 2,655
Convertible Preferred Stock	12,066	22,000
Common Stock & Surplus (7,648,888 shares outstanding)	162,104	280,000
	$176,825	$304,655

OPERATING RECORD

	Sales (in $000's)	Net Income	% of Sales	Net Earns. Per Share (fully diluted)	Dividend
1963	$246,678	$ 8,022	3.2%	$1.00	$ .47
1964	252,186	9,585	3.8	1.20	.47
1965	254,666	12,423	4.9	1.57	.67
1966	357,910	18,184	5.0	2.29	.88
1967	406,219	21,344	5.2	2.70	.93

Consolidated Financial Data

	Working Capital (in $000's)	Current Assets to Current Liab. Ratio	Property, Plant & Equip. - Net (in $000's)	Long-Term Indebtedness (in $000's)
1963	$102,626	4.02X	$52,521	$18,067
1964	106,400	4.51	36,331	12,346
1965	99,771	3.42	39,478	10,239
1966	96,527	2.36	51,509	7,254
1967	113,484	2.71	58,733	2,655

BACKGROUND

Eltra Corporation was formed thru the merger of Electric Autolite and Mergenthaler Linotype in 1963. Today Eltra consists of eleven operating divisions whose sales are distributed as follows:

	1967		1966	
	Sales (mils.)	%	Sales (mils.)	%
Graphic Arts	72.2	17.8	64.4	18.0
Automotive	115.0	28.3	118.7	33.2
Military	56.3	13.9	35.6	9.9
Marine & Agriculture	34.3	8.4	26.5	7.4
Food	31.6	7.8	23.0	6.4
Other Industrial Equipment	96.8	23.8	89.8	25.1
	406.2	100%	358.0	100%

Eltra's earnings have advanced steadily despite operations in some cyclical industries. The dynamic and conservative management team lead by James Keller and Glen Taylor have facilitated this expansion thru internal growth and well-chosen acquisitions.

Since 1963 earnings have increased at a compound rate of 22%. Eltra has a series of new products which enhance the prospects for future growth. New products include:

LINOTRON

In 1967 Eltra introduced a new generation of machines. The Linotron is an ultra high speed, computerized, phototypesetting and page composition system. The first such machine capable of printing 1,000 characters per second of linotype quality was delivered to the Government printing office. This machine gives the Government the capability of printing in three weeks what previously took one year. In January 1968, Eltra introduced a full line of machines and now covers the entire market in speed and price.

DIAGRAMER

The Diagramer automates the hand drafting of mechanical drawings, schematic drawings, blueprints and most forms of technical drawings. The Diagramer permits a mechanical drawing to be made at substantially higher speeds than by hand drawing. The time, care, and training required for drafting the specialized symbols on most blueprints is eliminated by the library of prepared symbols contained in the Diagramer. Virtually every manufactured piece of hard goods or durable goods starts with a drawing. The volume of technical drawings is enormous. Thus, the market for a fast, uniform quality, labor saving machine of this sort is vast. The Diagramer is successfully operating in numerous customer plants. During 1967 distribution agreements were concluded with three independent companies in order to achieve additional market penetration.

ACQUISITION

Management is actively seeking acquisitions to expand or enhance existing product lines. A quick glance at Table I shows long term debt of $2.6 million and working capital of $113.4 million. We believe management could acquire up to $100,000,000 of assets without diluting equity.

CONCLUSION

We believe the above record 22% compounded growth since 1963 is enough to recommend a stock selling at 12 times estimated 1968 earnings. Two dynamic new products the Linotron and Diagramer reinforce this judgement. The chance of a rather substantial acquisition (or series of smaller acquisitions) could further brighten prospects. Wall Street has yet to discover Eltra. Such discovery could, in our opinion, increase the multiple presently given to this conservatively run growth company. We therefore recommend purchase.

PJJ:lh
1-23-68

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CORTLANDT 7-1137

December 5, 1967

O. M. SCOTT & SONS CO.

Common Stock

Present Price	1967 Price Range	Earnings Per Share(a) 1965	1966	1967	1968E	PER 1968E	Dividend	Yield
28	29 - 15	$1.05	$1.27	$1.61	$1.85	15.1X	$0.20	0.7%

(a) - Years ending September.

CAPITALIZATION - As of September 30, 1966 (000)

	At Book		At Market	
Long Term Debt	$ 2,162	13.6%	$ 2,162	4.7%
Preferred Stock	1,902	12.0	1,902	4.1
Common Stock & Surplus (1,501,000 shares)	11,810	74.4	42,028	91.2
	$15,874	100.0%	$46,092	100.0%

Book Value Per Share	$ 7.87
Return on Common Equity	17.0%
Return on Total Capital	12.1%

OPERATING RECORD

Yr. End Sept. 30	Net Sales ---($ millions)---	Pretax Earn.	Pretax Margins	Net Profits ($ mill.)	Per Share Data Earn.	Dividends	Price Range*	P/E Range
1957	$18.7	$0.9	4.8%	$0.5	$0.24	Nil	-	-
1958	23.4	2.0	8.3	0.9	0.54	Nil	-	-
1959	30.2	2.6	8.5	1.2	0.71	Nil	6 - 1	8 - 2
1960	36.9	2.3	6.1	1.1	0.66	Nil	31 - 6	47 - 9
1961	42.6	3.2	7.6	1.5	0.97	$0.09	59 - 29	60 - 30
1962	28.8	(3.0)	-	(1.5)	(1.09)	0.10	34 - 9	-
1963	26.1	(2.2)	-	(1.0)	(0.74)	0.10	17 - 8	-
1964	30.1	1.0	3.2	0.6	0.31	Nil	16 - 8	52 - 26
1965	36.2	2.8	7.8	1.7	1.05	0.05	16 - 9	15 - 9
1966	41.7	3.6	8.6	2.0	1.27	0.20	23 - 12	18 - 9
1967	48.4	4.7E	9.7E	2.5	1.61	0.20	29 - 15	18 - 9

( ) - Deficit
* - Calendar Year

SUMMARY AND CONCLUSION

O. M. Scott, by far the leading company in the rapidly growing residential lawn care market, was widely heralded as a quality growth stock in the early 1960's when it sold as high as 60 times earnings. Shortly thereafter, however, the Company ran into severe problems - largely of its own making - and earnings completely disappeared.

Through policy changes and a greatly strengthened management these problems appear to have been solved and earnings are expected to show reasonably consistent and well-above-average growth. At a price of 28 the stock sells at 15.1 times estimated 1968 earnings; in view of the quality of this Company and its excellent outlook we feel that Scott could well sell at a higher multiple and recommend the stock for capital appreciation.

INDUSTRY

The distribution of materials for individual lawn care has been a rapidly growing business and gives every indication of continuing its above average growth. The potential is great since it is estimated that only about 55% of homeowners now fertilize their lawns and most of these do so only once a year. Factors favoring the industry include the mass movement of families from urban homes to suburban ones, shorter working hours, earlier retirement, higher average incomes, and the development of landscaping as a status symbol.

Competition comes from small local companies and from big chemical concerns. The most direct competition comes from the locals since the performance of most of the large chemical firms has been disappointing. It is difficult for them to adjust to the needs of consumer selling, and the small market does not justify changes in their organization. While competition certainly exists and to some extent is based on price, it is important to note that through adroit marketing the name Scott is practically synonymous with lawn care in many consumers' minds.

THE COMPANY

As noted, Scott has by far the pre-eminent position in the industry. Its line is the best known in the trade and its products are the quality leaders in fact as well as reputation. The Company has continually innovated and improved its products. Windsor grass seed, a highly drought resistant product, is an example. Another is Turf Builder Plus 4, a combination of fertilizer, weed control and insect control. A new, highly concentrated fertilizer, is expected to be introduced within the next two years.

Scott's nationwide distribution system has 13,000 dealers and 16,000 total outlets, and is rapidly growing. Dealers are attracted to the Scott franchise because (1) the sales program is designed to move the merchandise into use; (2) the sales tools offered have proven effective; (3) the advertising program is geared to local needs; and (4) the entire program recognizes the dealer's problem and is aimed at helping him to develop the profitability of his business. Discount houses, whose business thrives on presold merchandise, are attracted to the Scott trademarks.

One "kicker" in the situation is the fact that Scott is a small factor in the institutional market - golf courses, parks, etc. - but is beginning to make a push in this area. The Company feels its products are substantially better than those of its competitors and that it will be able to obtain an increasing share of this market.

RECENT HISTORY

Scott was labelled a growth company until sometime in 1961 when internal management problems became evident. Between 1955 and 1961 sales had nearly quadrupled and earnings had risen over seven-fold. Yet the business was rapidly outgrowing the management personnel that had brought the Company along so rapidly and also the management controls that earlier had been used so successfully.

The most important development which triggered the sharp earnings decline was the adoption in 1959 of a trust receipt program by which the Company financed dealer inventories until the merchandise was sold. Because management had not developed adequate controls on dealer inventories and failed to measure consumer demand accurately, Scott ran into serious problems and inventories became excessive. To solve the immediate problem management had to cut shipments to dealers considerably below consumer demand and sales and earnings accordingly dropped. More important, the Company recognized its problems and (1) enlisted the aid of Ernst and Ernst, its new auditors, to devise a comprehensive and accurate dealer inventory system; (2) abandoned its trust receipt program; and (3) brought in a number of new people (see below) to strengthen its operations, especially in marketing and finance.

MANAGEMENT

Scott for many years had been virtually a one-man company under the management of Mr. Paul Williams, President. Seeing the problems in the early sixties, Mr. Williams moved to build a strong management team by bringing in specialists in finance and marketing, and outside members to the Company's Board. In 1965, Mr. F. Leon Herron, Jr., formerly general manager of American Hardware and Supply, became Executive Vice President for Marketing and Distribution. This year he was elevated to President, with Mr. Williams moving up to Chairman. Mr. John Lebor, highly regarded in retail circles as Executive Vice President of Federated Department Stores, was elected to Scott's Board in 1963 and, after his retirement at Federated, was elected in 1966 to be Chairman of Scott's Executive Committee. Scott has continued to draw heavily on outside consultants, particularly Mr. Peter Drucker and Mr. Theodore Leavitt.

SALES AND EARNINGS

As a result of its tightened operations, Scott's earnings have rebounded to a record $1.61 in fiscal 1967, up from $1.27 in fiscal 1966 and substantially above the peak level of $0.97 before the Company ran into problems. Sales climbed from $41.7 million in fiscal 1966 to $48.4 million, or 16.2 per cent. We would look for sales of about $55 million in fiscal 1968 and earnings of about $1.85.

One risk in the situation should be noted - namely the weather. This is becoming less of a problem through increasing geographic diversification (the Company had traditionally been strongest in the Northeast) and the increasing two-season approach to lawn care. These factors, plus the secular growth of lawn care itself would, in our opinion, probably result in no worse than flat earnings in a really bad year. An underlying growth rate of 12 - 15% seems attainable.

FINANCIAL

The financial structure of the Company, which was in a precarious state in 1962, has been strengthened considerably. The trust receipts mentioned previously, created a leveraged capital structure. In 1962, financing of dealer receivables required peak borrowings by the Company of $24.5 million.

Today, all the trust receipts have been eliminated. The long-term debt at the end of fiscal 1966 was $2.2 million or 14% of capital structure, sharply lower than the $15.8 million and 57% of September 30, 1962. Dealer inventories are substantially lower. Working capital at the end of fiscal 1966 was $9.2 million and the current ratio was 1.8X.

INVESTMENT CONCEPT

As the dominant company in a rapidly growing industry, we believe that Scott will be increasingly recognized - as it was a few years ago - as a stock deserving to sell at a premium price/earnings ratio. This expected reevaluation, plus the anticipated growth in earnings, should make Scott an excellent candidate for well-above-average long term capital gains. Purchase is recommended.

WMG/hm John W. Bristol & Co., Inc.

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CORTLANDT 7-1137

Memo to Mr. Leidesdorf
Mr. Schur
Mr. Hochschild
Mr. Shanks
Mr. Strauss
Mr. Dilworth
Mr. Hansmann

May 1, 1968

INSTITUE FOR ADVANCED STUDY

Minutes, Meeting of the Finance Committee
April 26, 1968 at the Fuld Hall, Princeton

1. Present:

Mr. Schur
Mr. Hochschild
Mr. Shanks
Mr. Strauss
Mr. Hansmann
Dr. Kaysen
Mr. Bristol

2. Investment changes on the attached schedule were ratified and confirmed.

3. The Committee ratified sale of $250,000 Television Communications Corp. 7% Notes and 52,620 shares of common stock.

4. The Committee approved merger and exchange of 250M notes with warrants of IEC Corporation for 11,037 shares of Damon Engineering common stock.

5. The Committee approved the proposed sale of non convertible preferred stocks, the proceeds to be invested in public utility equities -- as follows:

TO SELL

		App. Proceeds
20,000 shs.	Brown Forman Distillers $ .40 Pfd.	$130,000
7,200 shs.	Getty Oil $1.20 Pfd.	140,000
1,000 shs.	N. Y. Times $5.50 Pfd.	80,000
		$350,000

TO BUY

		Present Holdings	
3,000 shs.	Central & South West	15,000	$128,000
3,000 shs.	Kansas City Power & Light	10,000	91,000
4,400 shs.	Virginia Electric Power	15,592*	125,000
			$344,000

*New stock following 50% stock dividend.

6. Other changes discussed and authorized:

SALE:	8,000 shs.	Norwich Pharmacal
	767 shs.	International Business Machines
PURCHASE:	8,000 shs.	Warner Lambert

7. The Committee noted progress reports submitted on two recently purchased holdings--Eltra Corporation and O. M. Scott & Sons.

8. Investment Counsel was requested to report to the Chairman on Transamerica Corp. Sale of this holding was authorized subject to the discretion of the Chairman.

John W. Bristol
Secretary

Ira A. Schur
Chairman

INSTITUTE FOR ADVANCED STUDY

SUMMARY OF PURCHASES AND SALES

Since October 25, 1967

PURCHASES

Short-Term	Cost
600 M U.S. Treasury Bills 4.63%, due 2-15-68	$ 592,977
300 M Federal Land Bank 4.25%, due 8-20-68	297,281
800 M U.S. Treasury Bills 4.96%, due 4-4-68	790,080
1,300 M U.S. Treasury Bills 5%, due 5-16-68	1,283,569
1,000 M U.S. Treasury Bills 5.16%, due 10-31-68	969,900
	$3,933,807

Private Placements

400 M Citizens Financial S.F. Deb. 5 3/4%, due 11-1-87 w/wts/	$ 400,000

Equities

a) Increase of Existing Holdings

9,000 shs. H. & A. Selmer	$ 200,250
4,500 shs. Deere & Co.	232,936
6,500 shs. Eltra Corporation	217,774
880 shs. Shell Oil (be exercising rights)	44,000

b) New Holdings

7,000 shs. Kimberly-Clark Corp.	400,953
2,000 shs. United Convalescent Hospitals (see Sales)	20,000
5,000 shs. O. M. Scott & Sons Co.	151,197
	$1,267,110

SALES

Maturities & Sales	Proceeds
600 M U. S. Treasury Bills matured 11-16-67	$ 598,013
600 M Federal Land Banks 5.875% matured 12-20-67	600,000
450 M Federal Intermediate Credit Bank 4.45% matured 1-2-68	450,000
750 M Federal Intermediate Credit Bank 4.45%, due 1-2-68 (Sold)	749,414
800 M General Motors Acceptance 4.826% matured 1-5-68	800,000
500 M U.S. Treasury Notes 5.625% matured 2-15-68	500,000
600 M U.S. Treasury Bills matured 2-15-68	592,977
800 M U.S. Treasury Bills matured 4-4-68	790,080
	$5,080,484

Called

$142,857	Export Import Bank of Washington	$ 142,857
$ 32,000	Arvida 6%, due 4-1-76	32,000
$174,500	Coastal States Gas Producing 5 1/2%, due 6-1-77	171,010
		$ 345,867

Corporate Bonds

50 M Missouri Pacific 4 1/4%, due in 1990	$ 33,493
40 M Celanese Corp. Donv. Deb. 4%, due in 1990	32,154
150 M Missouri Pacific 4 1/4%, due in 2005	92,248
	$ 157,895

Equities

a) Reduction of Existing Holdings

5,100 shares Arkansas Louisiana Gas	$ 176,901
5,000 shares Chrysler Corporation	270,296
2,000 shares Schlumberger Limited	157,308

b) Eliminations

8,700 shares Massey Ferguson Ltd.	140,173
330 shares Northern Natural Gas Pfd.	29,011
2,000 shares United Convalescent Hospitals	28,247
	$ 801,936