

May 26, 1950

TO THE STOCKHOLDERS OF THE PUGET SOUND NAVIGATION COMPANY:

So much rumor, unfounded conjecture and misinformation has circulated concerning the basis on which the Washington Toll Bridge Authority seeks to acquire certain properties of your company, that this statement on the subject is presented directly to the stockholders.

For the properties which the Toll Bridge Authority desires to acquire, and providing that it can be accomplished promptly, I will recommend that it pay \$3,900,000.00, on a partial liquidation plan which would not involve a capital gains tax to the company on the transaction. This represents \$117.72 per share on the 33,222 outstanding shares, 11,074 of which represent the 50% stock dividend declared in 1945. According to the books of the company and the 1949 annual report of the management, the actual cost of the properties referred to, including all additions and improvements therein, after depreciation, as of December 31, 1949, is \$1,724,776.83, which amounts to \$51.92 per share. The amount offered for the properties is more than two and one-quarter times their net cost after depreciation. Under existing circumstances with the properties in their present condition, it is believed that no purchase price in excess thereof could be financed by bond issue, as of course will be required.

The Toll Bridge Authority is not authorized to operate the international business of the company and the vessels and terminals used in that business would not be acquired. These properties, again according to the company's books as of the same date, have a total cost after depreciation of \$2,937,069.92, representing \$88.40 per share of outstanding stock.

The State would prefer not to acquire certain properties of the company having a book cost of \$211,064.04 (\$6.35 per share) after depreciation as of December 31, 1949. However, if desired by the stockholders, these properties will be acquired at the stated cost figure.

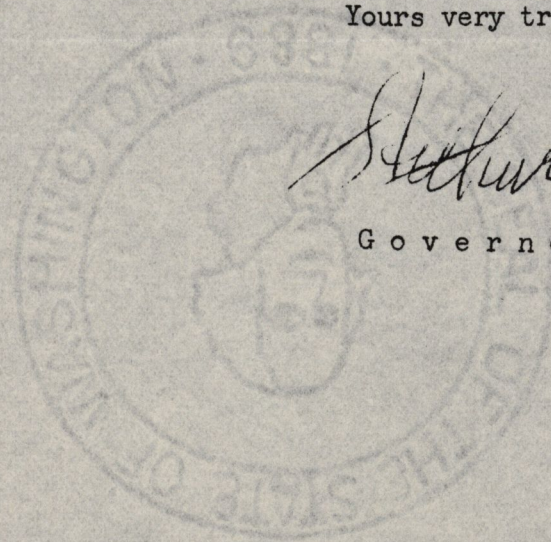
Under this proposal, the amount paid would produce \$117.72 per share in cash, and the company would retain properties having a net book cost amounting to \$94.75 per share. The total of these is \$212.47, which it is believed substantially exceeds the price at which company shares ever have been or now could be sold on the open market.



The properties of the company used in the international business and those which the Toll Bridge Authority prefers not to acquire are listed on the attached sheet.

Consummation of a transaction based on this proposal could be accomplished with a substantial minority of stockholders liquidating their stock holdings. It is suggested that stockholders desiring to accept the proposal organize immediately and designate representatives for the purpose of carrying the matter forward.

Yours very truly,

  
*Arthur Blankley*  
Governor



INTERNATIONAL PROPERTIES  
As of Dec. 31, 1949

<u>UNITS</u>	<u>NET BOOK COST</u>
Land - Seattle Pier 53	\$ 112,810.00
" - Port Townsend	2,500.00
" - Port Angeles	3,000.00
Vessel - Chinook	2,188,298.09
" - Iroquois	26,612.16
" - 2 Car Barges	155,643.27
Terminal - Charleston	23,719.45
" - Port Angeles	99,998.74
" - Port Angeles Auto Freight	7,250.16
" - Port Townsend	54,326.55
" - Seattle Pier 53	251,856.05
Construction in Progress - Bar on Chinook	1,280.45
"               "       " - Seattle Pier 53	9,775.00
	<u>\$2,937,069.92</u>

PROPERTIES PREFERABLY EXCLUDED  
As of Dec. 31, 1949

<u>UNITS</u>	<u>NET BOOK COST</u>
Land - Edmonds	\$ 1,200.00
" - Manchester	2,131.00
" - Manchester, Colby Road intersection	1,300.00
" - Agate Point	550.00
" - Oak Bay	250.00
" - Sandy Hook	1,389.39
Vessel - City of Sacramento	28,684.93
" - Malahat	64,935.93
" - San Mateo	39,308.52
" - Shasta	39,357.86
" - Vashonia	5,807.74
Terminal - Edmonds (fully depreciated)	--
" - Kingston       "       "	--
" - Suquamish     "       "	--
Leasehold improvements - Eagledale	4,546.51
"               "       - Indianola	7,253.56
"               "       - Kingston	14,348.60
	<u>\$ 211,064.04</u>