

GURNETT & CO.
Members

New York and Boston Stock Exchanges
39 Broadway, New York
10 Post Office Square, Boston

STONE & WEBSTER, INC.

A diversified organization with activities including a world-wide engineering department, one of the country's largest investment security houses and a prominent position in the operation of public utility properties.

A study of the operations of Stone & Webster, Inc. reveals the important position of this organization in its various lines of industry. Although Engineers Public Service Company, since its formation five years ago, has been under the operating supervision of Stone & Webster, Inc., the present plan of affiliation strengthens the position of both companies by closer co-ordination and at the same time gives shareholders of the former company a more diversified investment.

Consummation of the plan would place under Stone & Webster management and control properties with total assets exceeding \$430,000,000. Recognition of the potentialities of Stone & Webster, Inc. should result in substantial investment demand for the capital stock at present level, below the original public offering price of less than a year ago.

Listed on the New York Stock Exchange

INTRODUCTION

Stone & Webster, Inc., through the offer to exchange six of its shares for ten shares of Engineers Public Service Common, plans to strengthen its position in the public utility industry of the United States. It was instrumental in the formation of the Engineers Public Service Company five years ago and its interest in the Common stock has been substantially increased during recent months. In addition, Stone & Webster, Inc. has important investment in and supervises a large number of other public utility companies. These interests in all involve properties operating in twenty states, providing public utility services to a population of more than 6,000,000.

A description of the many separate fields of business carried on by Stone & Webster, Inc., together with a list of its important investments reveals the diversification of interests.

Among the fields covered by the group of subsidiaries making up the consolidated company are engineering and construction, investigations and appraisals, underwriting and distribution of securities, business development work, public utility supervisory services and public utility operating and ownership. Subsidiaries also have investments in various industrial and financial organizations.

STONE & WEBSTER
ENGINEERING CORPORATION

In addition to acquiring the engineering and construction business of Stone & Webster, Inc., this subsidiary in 1928 secured a substantial interest in the construction and financing business of Ulen & Co. and the engineering and construction business of McClellan & Junkersfeld, Inc., was acquired from North American Company.

Power stations designed and built by this group have an aggregate of over 4 million horsepower of steam and hydro-electric capacity, representing about 10% of the installed capacity of the central station industry in the United States and serving 20 million people with electric power and light.

These undertakings included such steam power stations as the Long Beach Stations for the Southern California Edison Company and the Edgar Station for the Edison Electric Illuminating Co. of Boston. Hydro-electric plants have been constructed for Southern California Edison at Big Creek, for Mississippi River Power Co. at Keokuk, and for Philadelphia Electric Power at Conowingo. The last development is the largest single hydro-electric power installation in the United States. During the past 25 years construction work consisting of steam and hydro-electric power stations, industrial plants, office buildings, hotels, and other structures costing over one billion dollars have been executed for the leading companies of the United States. Expert reports and appraisals have been made on properties having a total value of over \$6,800,000,000. Approximately 75% of this work was executed for clients not connected with the organization.

The Engineering Corporation has 100,000 shares of Common stock outstanding of no par value, of which 90,000 shares are owned by the parent company. Preferred stock of no par value is outstanding to the amount of 70,000 shares and is all owned by the parent company. Dividend rate on this Preferred stock is \$6.00 per annum. This issue totaling 70,000 shares is carried on the parent company's balance sheet at \$1.00, although a fair value for an investment of this type would be over \$5,000,000.

Uncompleted construction work on the books at December 31, 1929, was the largest in history of the organization. As of November 30, 1929, uncompleted contracts of \$80,000,000 were on the books, of which about \$69,000,000 was for construction for companies other than those supervised by Stone & Webster Service Corporation. These contracts compare with \$37,000,000 on November 30, 1928.

STONE & WEBSTER
AND BLODGETT, INC.

As one of the largest investment security houses in the United States, Stone & Webster and Blodgett, Inc. originates and underwrites security issues and distributes them both at wholesale and retail. Benefits from the long experience and world-wide contact of the engineering organization are available to clients, which include banks, insurance companies, and other institutions, as well as trustees and

individual investors. Principal offices are maintained in New York, Boston, Chicago, and Philadelphia, with branches in other cities and representation in Europe.

During the past three years Stone & Webster and Blodgett has participated as a principal in originating and underwriting of security issues aggregating more than \$1,200,000,000. In the same period it has participated in the sale of about one-quarter of the total of all new security offerings publicly syndicated in this country. This subsidiary has 60,000 shares of capital stock outstanding of \$100 par value, of which 40,000 shares are owned by the parent company. It is interesting to note that the above shares are carried at par value, notwithstanding an earning power which warrants a value substantially in excess of this amount.

Other subsidiaries may be grouped together as follows:

Stone & Webster Service Corporation
Stone & Webster Associates Corporation
Stone & Webster Investing Corporation
Stone & Webster Realty Corporation

In the order named operations include the specialization in the practical operation of public utility companies and a few industrials. The properties under supervision are located in twenty of the United States and surrounding countries, serving a population of over 6,000,000.

Stone & Webster's Management service had its origin more than 30 years ago. The Investing Corporation and the Associates Corporation are engaged in similar lines including promotion and development work, and make temporary or permanent investments in enterprises with which the organization is familiar, often through years of contact. They undertake, usually in association with others, the purchase of properties for the purpose of reorganizing, developing and improving them.

An example of an investment of this nature was the companies' participation in the extensive development of the Southern California Gas Co., which has subsequently been acquired by Pacific Lighting Co.

The sole object of the Realty Corporation is owning and managing the Stone & Webster Building, located at 49 Federal Street, Boston, Massachusetts.

ENGINEERS PUBLIC SERVICE
COMPANY

Engineers Public Service Company controls 99% of total common shares of subsidiaries having annual gross of more than \$50,000,000, furnishing public utility service to a population in excess of 2,386,000. Its subsidiaries include Virginia Electric and Power Company, operating in Richmond and Norfolk, Virginia; the Puget Sound Power & Light Company serving Western Washington; the Gulf States Utilities Company and the Baton Rouge Electric Co., serving the Gulf coast in Louisiana and Texas; the El Paso Electric Company serving El Paso and adjacent parts of the Rio Grande Valley; the Western Public Service Company operating in Western Nebraska and Northwestern Missouri; the Savannah Electric and Power Company of Savannah, Georgia; and other properties.

For the year 1929, Engineers Public Service Company reported earnings available for the common stock of \$4,321,865, or \$2.59 a share on average shares outstanding during the year.

Present annual dividend rate on the Common stock of Engineers Public Service Co., is \$1.00 in cash plus 1/25th of a share in Common stock. The next regular cash and stock dividends are payable April 1st to stockholders of record February 28th, consisting of quarterly cash payment of 25 cents and a semi-annual stock dividend of 1/50th of a share, or 2%.

An important factor upon completion of the plan of consolidation is that there will be one share of Engineers held for each share of Stone & Webster outstanding. Thus, it is indicated that stockholders continue their interest in Engineers Public Service Co., in addition to which they also participate in various activities of Stone & Webster.

On the basis of annual rate of earnings shown by Stone & Webster of \$6.50 a share and the \$2.59 earned on the average amount of Engineer's stock outstanding during the past year, the stockholders of Engineers gain in-earning power under the plan of affiliation. Earnings received by Stone & Webster on the ten shares of Engineers acquired totaled \$25.90 while the net income on the six shares of Stone & Webster stock is indicated at \$39 annually.

CAPITAL STRUCTURE

The present authorized capital stock of Stone & Webster, Inc., will be increased to 3,000,000 shares to provide for the acquisition of the Engineers Public Service Common stock. Holders of the warrants to purchase Common stock and Common stock scrip certificates are entitled to participate in the plan if they exercise their warrants or combine their scrip into whole shares and deposit under the agreement. On the basis of the present outstanding securities being exchanged, there will be approximately 2,150,000 shares of Stone & Webster capital stock outstanding. The offer does not cover the 158,280 shares of \$5.00 Convertible Preferred Stock outstanding. This issue is convertible into Engineers Common up to 1938 at the ratio of 15 shares of Common for each 10 shares of Preferred. It is believed the management will eventually provide for the exchange of this issue. The outstanding capitalization consists of:

Capital Stock (no par value) 1,258,981 sha.
Funded debt of subsidiary companies, consisting of First Mortgage Real Estate Bonds on the Stone & Webster Building, is outstanding to the amount of \$3,362,000.

FINANCIAL POSITION

Notwithstanding the use of a substantial amount of liquid funds for the purchase of additional securities during the six months' period ended December 31st last, cash and call loans were at an exceedingly high figure of over \$20,000,000.

Total assets of the corporation exceeded \$93,000,000 on December 31st last. Although engineering, management, etc., are among the important sources of revenue, a very small amount of the company's capital resources is required in handling this business. In view of the world-wide reputation of this organization, the item of good-will would appear to have a high value, although it is not shown in the balance sheet. Balance of assets based on book value available for the present outstanding capital stock amounted to over \$71,000,000. Figuring a conservative value for investments in subsidiaries, together with the fact that present value of marketable securities is in excess of cost, it is reasonable to state that the book value is substantially in excess of the above amount.

At the end of May last year cash amounted to more than \$38,000,000. A portion of these funds has been diverted to business uses and to the purchase of additional investments at attractive prices. This procedure resulted in an increase of nearly \$14,000,000 in securities held. Total investments at cost on December 31, 1929, were \$57,000,000 and cash and call loans amounted to over \$20,000,000.

INVESTMENTS

Engineers Public Service Common and Option Warrants represented the largest investment in the holdings of Stone & Webster as of June 30, 1929. The investment in the Common Stock at that time totaled 180,427 shares, while the Option Warrants amounted to \$9,725. Other large holdings included 123,868 shares of General Public Service Common, 26,315 shares of Railway & Light Securities Co., 26,511 shares of Tampa Electric and 98,161 shares of Utility Equities Corporation.

A conservative policy has been followed in carrying all securities at cost. It is interesting to note the following values of total investment at various periods during 1929. At the end of June, for instance, a fair value or market for the securities owned was approximately \$9,000,000 above the actual cost. Although no information is available regarding the securities held on December 31st of last year, the present market value is undoubtedly materially above cost figure.

Securities at cost on Dec. 31, 1929 \$57,069,069
Securities at market or fair value

June 30, 1929 41,988,779
Securities at cost May 31, 1929 32,654,428
Investments which represent only one division of the business are principally in common stocks of utility companies with which Stone & Webster is directly affiliated.

During the period from May 31, 1929 to the end of the year, holdings of Columbus Electric & Power Common were exchanged for Commonwealth & Southern securities, and undoubtedly stock thus acquired was later sold and figured largely in the profit on security transactions in the six months ended December 31, 1929. In view of the fact that no late detailed description of security holdings is available, it is difficult to determine what changes have taken place during the past eight months. There has been undoubtedly an increase in the holdings of the above main investments, especially Engineers Public Service.

EARNINGS

Consolidated account for the year ended December 31, 1929 shows the various sources of income as follows:

Dividend from stocks	\$ 476,280
Interest on Bonds, Notes, etc.	854,490
Engineering, Management, etc.	4,953,498
Profit on sale of Securities	4,619,657
Syndicate Profits	3,220,704
Miscellaneous	101,249

Total Gross Earnings	\$14,225,879
Operating Expenses, etc.	8,529,060
Federal Income Taxes	321,400

Total	\$ 8,850,100
Balance	5,375,779
Interest	799,113

Net Income \$ 4,576,666

The above table shows the various sources of gross earnings of Stone & Webster, Inc. Although the major portion of income has been derived from the engineering, construction, management and investment banking service during the past several years, on completion of the plan of acquisition of Engineers, the main source of earnings will be from the utility field.

The circular of February 11 states that earnings for the six months ending December 31, 1929, were \$2,832,969, or \$2.25 a share on the 1,258,981 shares of capital stock outstanding. In addition a profit of \$1,246,680, or 99 cents a share was realized from the sale of securities, making total net earnings equal to \$3.24 a share.

COMPARATIVE
CONSOLIDATED STATEMENT
OF EARNINGS

	Net Earnings Per Share	
1928	\$4,576,666	\$6.24
1927	2,379,697	3.33
1926	2,685,503	3.93
1925	2,192,583	3.21
1924	1,713,227	2.51

The above table is submitted merely to show the growth in earning power of the consolidated company during the past five years. Activities, of course, have been greatly expanded since 1928 and the revenues from new funds more available through the public financing of eight months ago have not been fully reflected in statement of operations as yet. Another factor of importance is that a substantial portion of the organization's income is derived from return on its investments, but no consideration is taken of equity in earnings above dividends or of stock dividends received, unless sold.

Net income of \$3.24 a share for the last six months of 1929 indicates an earning power of approximately \$6.50 annually.

DIVIDENDS

An initial dividend of \$2.00 a share was paid on the capital stock January 15, this

year. The stock was recently placed on a \$4.00 annual dividend basis by the declaration of a quarterly dividend of \$1.00 a share, payable April 15 to stockholders of record March 14.

CONCLUSION

The opportunity for a broad public participation in the extensive activities of Stone & Webster, Inc., a privately-owned organization for 40 years, resulted in tremendous speculation in the shares following the offering last year during the last stages of 1929 upward movement and the price of the capital stock reached a high point of 201, an advance from the issue price of \$100 a share. The value and character of this organization is of the highest and the decision of the management to secure a closer affiliation with public utility companies in which they now have supervision is a factor of utmost importance to stockholders and indicates a favorable outlook.

Less than eight months ago \$40,000,000 was received from the sale of stock and 175,761 additional shares were issued for securities about the same time. This fact indicates that the management has not sufficient time to demonstrate just what earning power may be expected on the present 1,258,981 shares of capital stock outstanding.

Taking into consideration the above statement, prospects of higher earning power during the current year would appear bright. An idea of the favorable outlook may be obtained from the following summary:

- 1—Uncompleted construction orders are the largest in history of the organization.
- 2—Easing money conditions stimulating bond offerings have important bearing on both the Engineering and Security Departments.
- 3—Prospects of continued growth in earnings of utility subsidiaries.
- 4—Consummation of plan of consolidation with Engineers would place Stone & Webster, Inc., in a unique position in its fields of operations.

Strength and character of this organization is sufficient in our opinion to warrant a higher investment value placed on the capital stock and we believe this level should be attained once the merger of Engineers Public Service Company is completed.

We recommend the purchase of Stone & Webster, Inc. Capital Stock at present as a sound investment security.

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36

Sordid Murder and
Suicide at Waukegan;
Man Kills Woman, Self

One of the most tragic crimes in Waukegan's entire history was enacted March 26 when a 28-year-old mother of three children was shot to death in her home by a boarder and admirer, who then shot himself thru the brain. The woman was Mrs. Myrtle Brown, 1305 Paul street, a pretty and popular divorcee; and the man, Albert B. ("Curly") Hopper, 41, a former employee of Johns-Manville company.

The bodies were found by Bertee, Mrs. Brown's 8-year-old son, when he returned home from school. He told the police that he became excited and threw the gun, which he had found near Hopper's body, out of the back door. Chief Kennedy, Sergeants Tyrrell and Whittier found the gun, a .25 caliber automatic pistol, in a snowdrift in the back yard.

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