

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

WESCO FINANCIAL CORP  
Form 10-Q  
May 14, 2001

1

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the Quarterly period ended March 31, 2001 or  
-----

Transition report pursuant to section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-4720  
-----

WESCO FINANCIAL CORPORATION

-----  
(Exact name of Registrant as Specified in its Charter)

DELAWARE

95-2109453

-----  
(State or Other Jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

301 East Colorado Boulevard, Suite 300, Pasadena, California 91101-1901  
-----

(Address of Principal Executives Offices)  
(Zip Code)

626/585-6700  
-----

(Registrant's Telephone Number, Including Area Code)

-----  
(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Las Report)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 7,119,807 as of May 2, 2001.

2

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The condensed consolidated financial statements of Wesco Financial Corporation, listed in the accompanying index, are incorporated as an integral part of this report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

See pages 10 through 14.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -- None

(b) Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the securities exchange act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESCO FINANCIAL CORPORATION

Date: May 11, 2001  
-----

By: /s/ JEFFREY L. JACOBSON  
-----  
Jeffrey L. Jacobson  
Vice President and Chief Financial  
Officer (principal financial officer)

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

3

WESCO FINANCIAL CORPORATION  
 FINANCIAL STATEMENTS FILED WITH FORM 10-Q  
 FOR QUARTER ENDED MARCH 31, 2001

INDEX

	Page (s)
	-----
Condensed consolidated statement of income and retained earnings -- three-month periods ended March 31, 2001 and March 31, 2000.....	4
Condensed consolidated balance sheet -- March 31, 2001 and December 31, 2000.....	5
Condensed consolidated statement of cash flows -- three-month periods ended March 31, 2001 and March 31, 2000.....	6
Notes to condensed consolidated financial statements.....	7-9

-3-

4

WESCO FINANCIAL CORPORATION  
 CONDENSED CONSOLIDATED STATEMENT OF  
 INCOME AND RETAINED EARNINGS  
 (Dollar amounts in thousands except for amounts per share)  
 (Unaudited)

	Three Months Ended	
	March 31, 2001	March 31, 2000
	-----	-----
Revenues:		
Sales and service revenues .....	\$ 120,531	\$ 64,087
Insurance premiums earned .....	8,677	4,511
Dividend and interest income .....	19,855	11,997
Realized net securities gains .....	--	183,405
Other .....	788	748
	-----	-----
	149,851	264,748
	-----	-----
Costs and expenses:		
Cost of products and services sold .....	39,452	26,231
Insurance losses, loss adjustment and underwriting expenses ..	7,179	4,246
Selling, general and administrative expenses .....	69,200	30,139
Interest expense .....	1,266	652

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

Goodwill amortization .....	1,831	957
	-----	-----
	118,928	62,225
	-----	-----
Income before income taxes .....	30,923	202,523
Provision for income taxes .....	(11,106)	(69,811)
	-----	-----
Net income .....	19,817	132,712
Retained earnings -- beginning of period .....	1,466,126	552,343
Cash dividends declared and paid .....	(2,242)	(2,172)
	-----	-----
Retained earnings -- end of period .....	\$ 1,483,701	\$ 682,883
	=====	=====
Amounts per capital share based on 7,119,807 shares outstanding throughout each period:		
Net income .....	\$ 2.78	\$ 18.64
	=====	=====
Cash dividends .....	\$ .315	\$ .305
	=====	=====

See notes beginning on page 7.

-4-

5

WESCO FINANCIAL CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEET  
(Dollar amounts in thousands)  
(Unaudited)

	March 31, 2001	Dec. 31, 2000
	-----	-----
ASSETS		
Cash and cash equivalents .....	\$ 391,393	\$ 153,810
Investments:		
Securities with fixed maturities .....	636,677	839,683
Marketable equity securities .....	655,681	833,937
Rental furniture .....	251,156	244,847
Goodwill of acquired businesses .....	268,264	260,037
Other assets .....	136,372	128,601
	-----	-----
	\$2,339,543	\$2,460,915
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

Insurance losses and loss adjustment expenses .....	\$ 43,026	\$ 39,959
Deferred furniture rental income and security deposits ..	29,087	27,669
Notes payable .....	95,535	56,035
Income taxes payable, principally deferred .....	233,681	305,175
Other liabilities .....	57,001	55,043
	-----	-----
Total liabilities .....	458,330	483,881
	-----	-----
Shareholders" equity:		
Capital stock and capital in excess of par value .....	30,439	30,439
Unrealized appreciation of investments, net of taxes ..	367,073	480,469
Retained earnings .....	1,483,701	1,466,126
	-----	-----
Total shareholders" equity .....	1,881,213	1,977,034
	-----	-----
	\$2,339,543	\$2,460,915
	=====	=====

See notes beginning on page 7.

-5-

6

WESCO FINANCIAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Dollar amounts in thousands)  
(Unaudited)

	Three Months Ended	
	March 31, 2001	March 31, 2000
	-----	-----
Cash flows from operating activities, net .....	\$ 35,907	\$ 12,500
	-----	-----
Cash flows from investing activities:		
Maturities of investments .....	208,838	2,500
Sales of investments .....	--	484,500
Purchases of investments .....	(2,044)	(55,800)
Acquisition of business, net of cash and cash equivalents acquired ..	(16,470)	(380,400)
Purchases of rental furniture .....	(24,852)	(9,300)
Other, net .....	(1,054)	(3,300)
	-----	-----
Net cash flows from investing activities .....	164,418	38,000
	-----	-----

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

Cash flows from financing activities:		
Net borrowings (repayments) of notes .....	39,500	(5,7
Payment of cash dividends .....	(2,242)	(2,1
	-----	-----
Net cash flows from financing activities .....	37,258	(7,8
	-----	-----
Increase in cash and cash equivalents .....	237,583	42,7
Cash and cash equivalents -- beginning of period .....	153,810	66,3
	-----	-----
Cash and cash equivalents -- end of period .....	\$ 391,393	\$ 109,0
	=====	=====
Supplementary information:		
Interest paid during period .....	\$ 1,161	\$ 1,3
Income taxes paid, net, during period .....	21,394	18,5
	=====	=====

See notes beginning on page 7.

-6-

7

WESCO FINANCIAL CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollar amounts in thousands except for amounts per share)  
(Unaudited)

Note 1

The condensed consolidated financial statements include the accounts of Wesco Financial Corporation ("Wesco") and its subsidiaries, including CORT Business Services, Inc. ("CORT"), acquired in the first quarter of 2000 (see Note 3). In the opinion of management, all adjustments necessary to a fair statement of the results of operations of Wesco and its subsidiaries (consisting only of normal recurring accruals) are reflected in the condensed consolidated financial statements.

Note 2

Reference is made to the following financial information deemed generally applicable to the condensed consolidated financial statements: (1) the notes to Wesco's consolidated financial statements appearing on pages 34 through 41 of its 2000 Form 10-K Annual Report, and (2) the audited consolidated financial statements of CORT, attached as Exhibit 99 to Wesco's Form 8-K/A filed April 28, 2000.

Note 3

## Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

In late February 2000, a wholly owned subsidiary of Wesco acquired all of the outstanding common stock of CORT pursuant to a tender offer and merger. The acquisition has been accounted for as a purchase, with CORT's accounts included in the condensed consolidated financial statements as of the date of acquisition.

The following unaudited table presents pro forma consolidated operating data for Wesco and its subsidiaries for the quarter ended March 31, 2000 as if CORT had been acquired on January 1, 2000. It reflects (1) elimination of estimated income that would have been earned during the period on investments liquidated in 2000 to fund most of the purchase had been liquidated on January 1, 2000, (2) inclusion of interest expense throughout the period as if line-of-credit borrowings to fund a portion of the purchase had been made at the beginning of the year, and (3) amortization of the excess of purchase price over fair value of identified net assets acquired (goodwill) over 40 years beginning January 1, 2000.

	Three Months Ended March 31, 2000 -----
Sales and service revenues.....	\$114,314
Total revenues.....	309,458
Net income.....	133,755
Per capital share.....	18.79 =====

-7-

8

Note 4

Following is a summary of securities with fixed maturities:

	March 31, 2001		December 31, 2000	
	Amortized Cost	Quoted Market (Carrying) Value	Amortized Cost	Quoted Market (Carrying) Value
	-----	-----	-----	-----
Mortgage-backed securities ..	\$588,312	\$603,936	\$635,173	\$647,210
Other .....	32,697	32,741	192,495	192,473
	-----	-----	-----	-----
	\$621,009	\$636,677	\$827,668	\$839,683
	=====	=====	=====	=====

Following is a summary of marketable equity securities (all common stocks):

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

	March 31, 2001		December 31, 2000	
	Cost	Quoted Market (Carrying) Value	Cost	Quoted Market (Carrying) Value
The Coca-Cola Company .....	\$ 40,761	\$325,405	\$ 40,761	\$439,095
The Gillette Company .....	40,000	199,488	40,000	231,200
Other .....	27,020	130,788	27,020	163,642
	-----	-----	-----	-----
	\$107,781	\$655,681	\$107,781	\$833,937
	=====	=====	=====	=====

Note 5

The following table sets forth Wesco's consolidated comprehensive income (loss) for the three-month periods ended March 31, 2001 and 2000:

	Three Months Ended	
	March 31, 2001	March 31, 2000
Net income .....	\$ 19,817	\$ 132,712
Decrease in unrealized appreciation of investments, net of income tax effect of \$61,286 and \$62,311 ...	(113,396)	(115,538)
Reversal of unrealized appreciation upon inclusion of realized net gains in net income .....	--	(119,213)
	-----	-----
Comprehensive loss .....	\$ (93,579)	\$ (102,039)
	=====	=====

Note 6

Following is condensed consolidated financial information for Wesco, broken down by business segment, including a furniture rental segment created in 2000 by the acquisition of CORT (see Note 3):

	Three Months Ended	
	March 31, 2001	March 31, 2000
Insurance segment:		
Revenues .....	\$ 28,280	\$ 16,373
Net income .....	14,279	9,407
Assets at end of period .....	1,672,162	2,026,077
	=====	=====



Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

-8-

9

Furniture rental segment:		
Revenues .....	\$ 105,958	\$ 46,050
Net income .....	6,775	4,197
Assets at end of period .....	347,564	305,041
	=====	=====
Industrial segment:		
Revenues .....	\$ 14,578	\$ 18,074
Net income .....	283	707
Assets at end of period .....	22,828	28,078
	=====	=====
Goodwill of acquired businesses:		
Amortization, net of income taxes .....	\$ (1,677)	\$ (914)
Assets at end of period .....	268,264	262,878
	=====	=====
Realized net securities gains:		
Before taxes (included in revenues) .....	\$ --	\$ 183,405
After taxes (included net income) .....	--	119,212
	=====	=====
Other items unrelated to business segments:		
Revenues .....	\$ 1,035	\$ 846
Net income .....	157	103
Assets at end of period .....	28,725	24,171
	=====	=====
Consolidated totals:		
Revenues .....	\$ 149,851	\$ 264,748
Net income .....	19,817	132,712
Assets at end of period .....	2,339,543	2,646,245
	=====	=====

-9-

10

WESCO FINANCIAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to management's discussion and analysis of Wesco's consolidated financial condition and results of operations appearing on pages 18 through 26 of its 2000 Form 10-K Annual Report and to Exhibit 99 to Wesco's Form 8-K/A filed April 28, 2000 for information deemed generally appropriate to an understanding of the accompanying condensed consolidated financial statements. The information set forth in the following paragraphs updates such discussion.

## Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

### FINANCIAL CONDITION

Wesco's shareholders' equity at March 31, 2001 was approximately \$1.9 billion (\$264 per share). Of this amount, 20% represented unrealized appreciation of securities, which could differ substantially from gains ultimately realized. Wesco's management continues to believe that the Wesco group has adequate liquidity and financial strength to minimize any downturn in its fortunes.

### RESULTS OF OPERATIONS

The following summary sets forth the contribution to Wesco's consolidated net income of each business segment -- insurance, furniture rental and industrial -- as well as activities not considered related to such segments. Realized net securities gains and goodwill amortization are excluded from segment activities, consistent with the way Wesco's management views the business operations. (Amounts are in thousands, all after income tax effect.)

	Three Months Ended	
	March 31, 2001	March 31, 2000
Insurance segment .....	\$ 14,279	\$ 9,407
Furniture rental segment .....	6,775	4,197
Industrial segment .....	283	707
Unrelated to business segment operations -		
Goodwill amortization .....	(1,677)	(914)
Other nonsegment items .....	157	103
	19,817	13,500
Income before realized securities gains ..	19,817	13,500
Realized net securities gains .....	--	119,212
	\$ 19,817	\$ 132,712
Consolidated net income .....		

-10-

11

#### Insurance Segment

The insurance segment comprises Wesco-Financial Insurance Company ("Wes-FIC") and The Kansas Bankers Surety Company ("KBS"). Following is a summary of the results of segment operations, which represent essentially the combination of underwriting results with dividend and interest income (in thousands):

Three Months Ended	
March 31, 2001	March 31, 2000

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

Premiums written .....	\$ 10,632	\$ 7,040
	=====	=====
Premiums earned .....	\$ 8,677	\$ 4,511
	=====	=====
Underwriting gain .....	\$ 1,498	\$ 264
Dividend and interest income .....	19,603	11,862
	-----	-----
Income before income taxes .....	21,101	12,126
Income tax provision .....	(6,822)	(2,719)
	-----	-----
Segment net income .....	\$ 14,279	\$ 9,407
	=====	=====

Premiums written for the first quarters of 2001 and 2000 included \$5.7 million and \$2.7 million attributed to Wes-FIC. The remainder in each quarter was attributable to KBS. The increase in Wes-FIC's premiums written for the first quarter of 2001 was attributed principally to its ongoing participation in a three-year arrangement for reinsurance of certain property and casualty exposure ceded by a large, unaffiliated insurer.

Earned premiums for the first quarters of 2001 and 2000 included \$4.5 million and \$.5 million attributable to Wes-FIC. The balance for each period was attributed to KBS. The increase in Wes-FIC's earned premiums for the current period related mainly to the reinsurance participation described in the preceding paragraph.

The underwriting gains reported for the quarters ended March 31, 2001 and 2000 were attributable to the profitable underwriting results of KBS. The improvement in underwriting gain for the first quarter of 2001 from the comparable prior year figure resulted mainly from a decrease in losses incurred by KBS. KBS's reinsurance program was restructured effective January 1, 1998 in an effort to improve operating results over the long term in return for greater short-term volatility.

The income tax provision of the insurance segment generally fluctuates somewhat as a percentage of its pre-tax income mainly due to fluctuations in the relationship of substantially tax-exempt components of income to total pre-tax income.

#### Furniture Rental Segment

The furniture rental segment consists of CORT Business Services Corporation ("CORT"), which was acquired in late February 2000 (see Note 3 to the accompanying condensed consolidated financial statements). Following is a summary of CORT's operating results for the quarter ended March 31, 2001. For comparison, we also present (1) unaudited data for the entire quarter ended March 31, 2000, excluding items not classified as segment-related by Wesco -- goodwill amortization, securities gains or losses, and income tax provisions or benefits related thereto, and (2) data included in Wesco's consolidated results from

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

	Three Months Ended		Late
	March 31, 2001	March 31, 2000	February to March 31, 2000
Revenues:			
Furniture rentals .....	\$ 88,895	\$ 81,052	\$ 38,443
Furniture sales .....	17,063	15,224	7,607
Total revenues .....	\$ 105,958	\$ 96,276	\$ 46,050
Income before income taxes .....	\$ 10,976	\$ 13,637	\$ 6,684
Income tax provision .....	(4,201)	(5,353)	(2,487)
Segment net income .....	\$ 6,775	\$ 8,284	\$ 4,197

CORT's revenues for the first quarter of 2001 increased \$9.7 million, or 10.1%, over those reported for the comparable 2000 period. Rental revenues before the impact of acquisitions, trade show operations and a significant, short-term contract with the U. S. Bureau of the Census, increased approximately 11%. CORT's management attributes this increase in core rental revenues to the combination of growth in the number of furniture leases outstanding and an increase in average revenue per lease. CORT has noted, however, that the rate of growth of new orders is continuing to decline, reflecting changing economic conditions. Furniture sales revenues increased approximately 12.1% for the current quarter as a result of CORT's ongoing efforts to maintain the quality of its rental furniture.

Income before income taxes for the quarter has decreased to 10.4% of revenue in 2001 compared to 14.1% of revenue in 2000. This decrease was due mainly to rising expenses associated with employee compensation.

Industrial Segment

Following is a summary of the results of operations of the industrial segment, consisting of the businesses of Precision Steel Warehouse, Inc. and its subsidiaries (in thousands):

	Three Months Ended	
	March 31, 2001	March 31, 2000
Revenues, principally sales and services .....	\$ 14,578	\$ 18,074
Income before income taxes .....	\$ 468	\$ 1,175
Income tax provision .....	(185)	(468)
Segment net income .....	\$ 283	\$ 707

## Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

Revenues of Precision Steel's businesses for the first quarter of 2001 decreased \$3.5 million, or approximately 19 percent, from those reported for the first quarter of 2000. Pounds of steel products sold decreased about 26 percent. Precision Steel's management attributes the decline in sales volume principally to a slowdown in the manufacturing sector of the economy coupled with increasing competitive pressures above the extremely competitive pressures already existing at the end of 2000.

Income before income taxes and net income of the industrial segment are dependent not only on revenues, but also on operating expenses and the cost of products sold. The latter, as a percentage of revenues, amounted to 81.1% for the first quarter of 2001 versus 80.2% for the comparable period last year. The cost percentage typically fluctuates slightly from period to period as a result of changes in

-12-

13

product mix and price competition at all levels.

### Unrelated to Business Segment Operations

Set forth below is a summary of items increasing (decreasing) Wesco's consolidated net income that are viewed by management as unrelated to the operations of the insurance, furniture rental and industrial segments (in thousands):

	Three Months Ended	
	March 31, 2001	March 31, 2000
Goodwill amortization, before income tax effect .....	\$ (1,831)	\$ (957)
Income tax benefit .....	154	43
	-----	-----
Goodwill amortization .....	\$ (1,677)	\$ (914)
	=====	=====
Realized net securities gains, before income tax effect ..	\$ --	\$183,405
Income tax provision .....	--	(64,193)
	-----	-----
Realized net securities gains .....	\$ --	\$119,212
	=====	=====
Other non-segment items, net, before income tax effect ...	\$ 211	\$ 131
Income tax (provision) benefit .....	(54)	(28)
	-----	-----
	\$ 157	\$ 103

The increase in first quarter amortization of goodwill was due principally to the inclusion of a full three months' amortization of CORT goodwill in 2001, versus less than two months' in 2000; CORT was acquired in late February 2000. Goodwill amortization for 2001 also reflects the effects of

## Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

acquisitions made by CORT following its purchase by Wesco.

Realized gains and losses on the Wesco group's investments have fluctuated in amount from period to period, sometimes impacting net income significantly. However, the amounts and timing of these realizations have no predictive or practical analytical value.

Although there were no realized securities gains or losses in the first quarter of 2001, Wesco's consolidated earnings for the first three months of 2000 included realized net gains of \$119.2 million, after income taxes. The gains reported for 2000, although material in relation to Wesco's quarterly earnings, had only a minor impact on its shareholders' equity: Wesco's investments are carried at market value, and most of the gains had already been reflected in the unrealized appreciation component of shareholders' equity in prior accounting periods.

Other non-segment items comprise mainly rental income from owned commercial real estate and dividend and interest income from investments owned outside the insurance segment, reduced by interest and other expenses.

\* \* \* \* \*

-13-

14

Wesco's effective consolidated income tax rate typically fluctuates from period to period for various reasons, such as the inclusion in consolidated revenues of significant, varying amounts of dividend income, which is substantially exempt from income taxes. The respective income tax provisions, expressed as percentages of income before income taxes, amounted to 35.9% and 34.5% for the quarters ended March 31, 2001 and March 31, 2000.

Consolidated revenues, expenses and net income reported for any period are not necessarily indicative of future revenues, expenses and net income in that they are subject to significant variations in amount and timing of securities gains and losses and the possible occurrence of other unusual nonoperating items such as the acquisition of CORT in February 2000 (see Note 3 to the accompanying condensed consolidated financial statements). In addition, consolidated revenues, expenses and net income from operations are expected to be much more volatile than they were prior to Wes-FIC's entry into the super-catastrophe reinsurance business and, to a lesser degree, the restructuring of KBS's reinsurance program in 1998.

Shareholders' equity is impacted not only to the extent that unusual items affect earnings, but also to reflect changes in unrealized appreciation of investments, which are not reflected in net income.

### FORWARD-LOOKING STATEMENTS

Certain written or oral representations of management stated herein or elsewhere constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, as contrasted with statements of historical fact. Forward-looking statements include statements which are predictive in nature, or which depend upon or refer to future events or conditions, or which include words such as expects, anticipates, intends, plans, believes, estimates, may, or could, or which involve hypothetical events. Forward-looking statements are based on information currently available and are subject to various risks and uncertainties that could cause actual events or

Edgar Filing: WESCO FINANCIAL CORP - Form 10-Q

results to differ materially from those characterized as being likely or possible to occur.

-14-

15

WESCO FINANCIAL CORPORATION  
301 EAST COLORADO BLVD., SUITE 300  
PASADENA, CALIFORNIA 91101-1901

May 11, 2001

Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, DC 20549

Re: File No. 1-4720

Gentlemen:

Enclosed is an electronic version of our Form 10-Q for the quarter ended March 31, 2001.

Very truly yours,

WESCO FINANCIAL CORPORATION

Jeffrey L. Jacobson  
Vice President and  
Chief Financial Officer