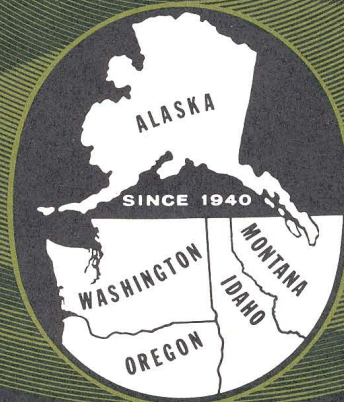
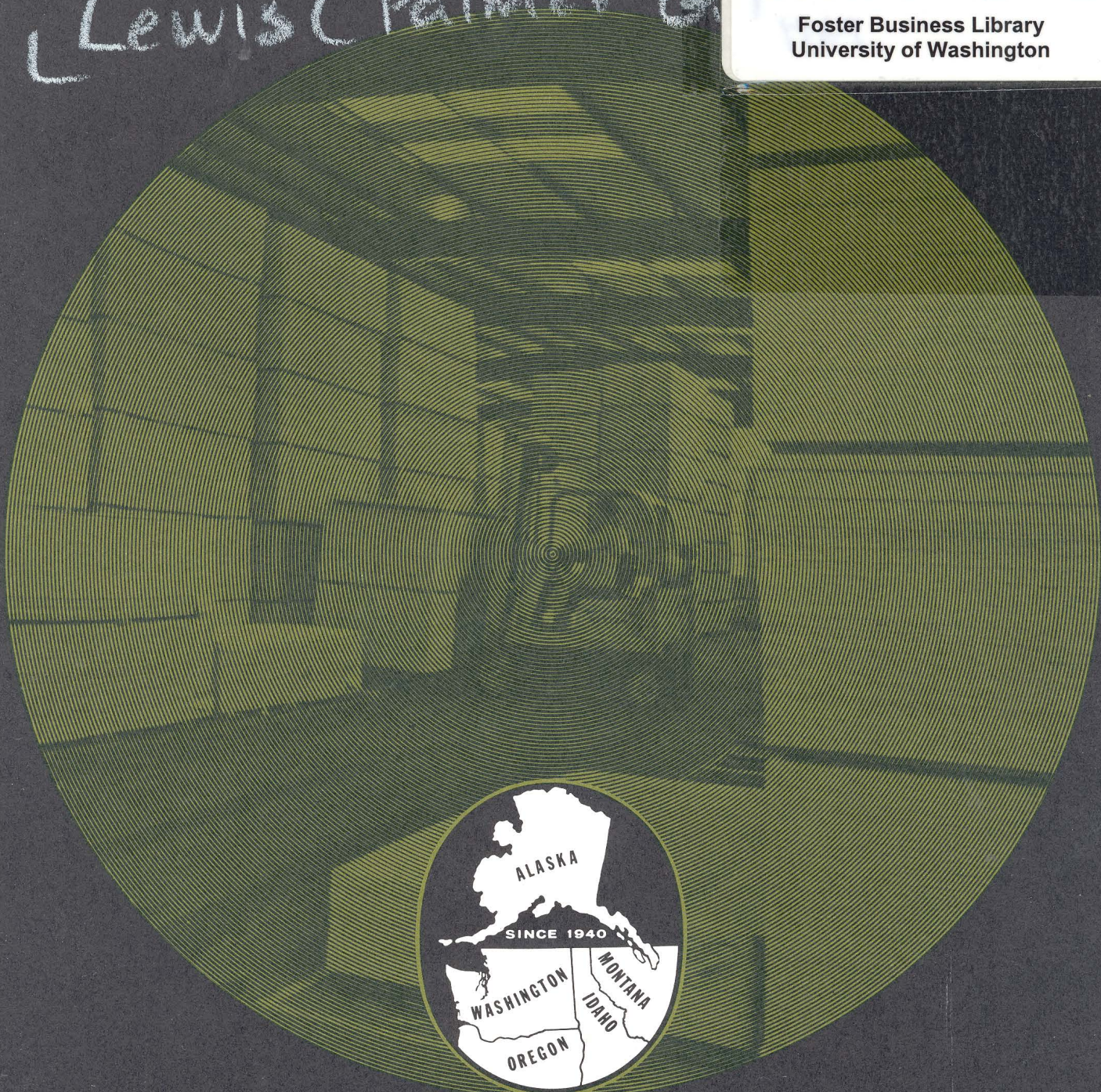


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Lewis (Palmer G.)

ANNUAL REPORTS
Palmer G. Lewis Co., Inc. 1969

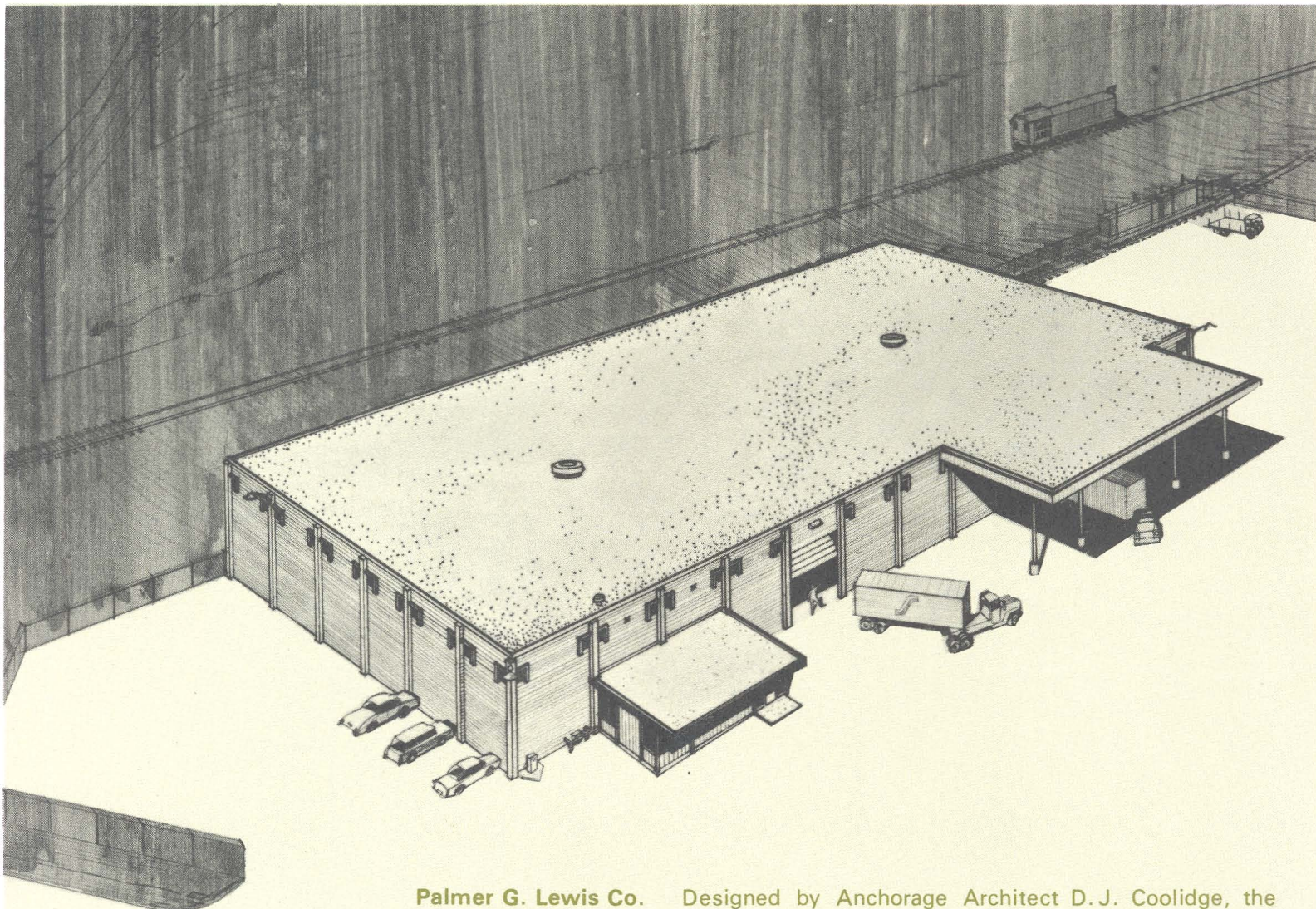
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University of Washington



PALMER G. LEWIS CO., INC.
annual report
1969



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LIBRARY
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**Palmer G. Lewis Co.
New Alaska Facility**

A 30,000 sq. ft. warehouse and office combination, located on a 5 acre site on Arctic Blvd. and Alaska Railroad, is scheduled for construction this season. Occupancy is planned for Nov. 1, 1970.

Designed by Anchorage Architect D.J. Coolidge, the facility will incorporate the most modern material handling methods. The warehouse will accommodate rail cars inside the structure for complete protection from the weather. Approximately 50,000 sq. ft. of paved outside storage and parking area will also be provided.



PALMER G. LEWIS CO., INC.

Home Office & Warehouses: No. 4 South Idaho Street, Seattle

ANCHORAGE, ALASKA
AUBURN, WASH.
BREMERTON, WASH.
EVERETT, WASH.

SERVICE WAREHOUSES & OFFICES:

AND SALEM, OREGON (June 1970)

KENMORE, WASH.
LACEY, WASH.
SPOKANE, WASH.
WENATCHEE, WASH.

annual report for 1969

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Directors

Palmer G. Lewis, Chairman of the Board, Palmer G. Lewis Co., Inc., Seattle, Wash.
 Glenn D. Axling, Vice-President and General Manager, Palmer G. Lewis Co., Inc., Seattle, Wash.
 William H. Gee, Director, Alaska Ice and Storage, Inc., Kodiak, Alaska
 James F. Parmley, Secretary-Treasurer, Palmer G. Lewis Co., Inc., Seattle, Wash.
 Robert D. Peterson, President, Palmer G. Lewis Co., Inc., Seattle, Wash.
 James C. Pierce, Vice-President, Foster and Marshall Inc., Seattle, Wash.
 L.W. Wells, Vice-President of Safeco Corporation, Seattle, Wash.

Corporate Officers

Palmer G. Lewis, Chairman of the Board
 Robert D. Peterson, President
 Glenn D. Axling, Vice-President
 James F. Parmley, Secretary-Treasurer
 Louise W. Lewis, Assistant Secretary

Accountants

Arthur Andersen & Co., Seattle, Wash.

Attorneys

Cartano, Botzer & Chapman, Seattle, Wash.

Registrar and Transfer Agent

Seattle-First National Bank, Seattle, Wash.



Basic Products We Distribute

Palmer G. Lewis Co., Inc. distributes building materials and related products to retail dealers and industry. It stocks and warehouses approximately 35 different product lines, representing 75 manufacturers. The relationship with some of these manufacturers dates from 1940.

- Wallboards • Gypsum • Plywoods • Hardboards • Insulation • Paneling • Cement Asbestos • Roofing • Nails and Fasteners • Reinforcing Bars and Mesh • Mouldings • Prefinished Paneling • Selected Lumber Items • Insulations • Particle Board • Doors and Windows • Olympic Stains • Aluminum Sheets • Polyethylene Film • Decorative Panels • Prefab Chimneys

Who We Serve

Dealers in Building Materials.

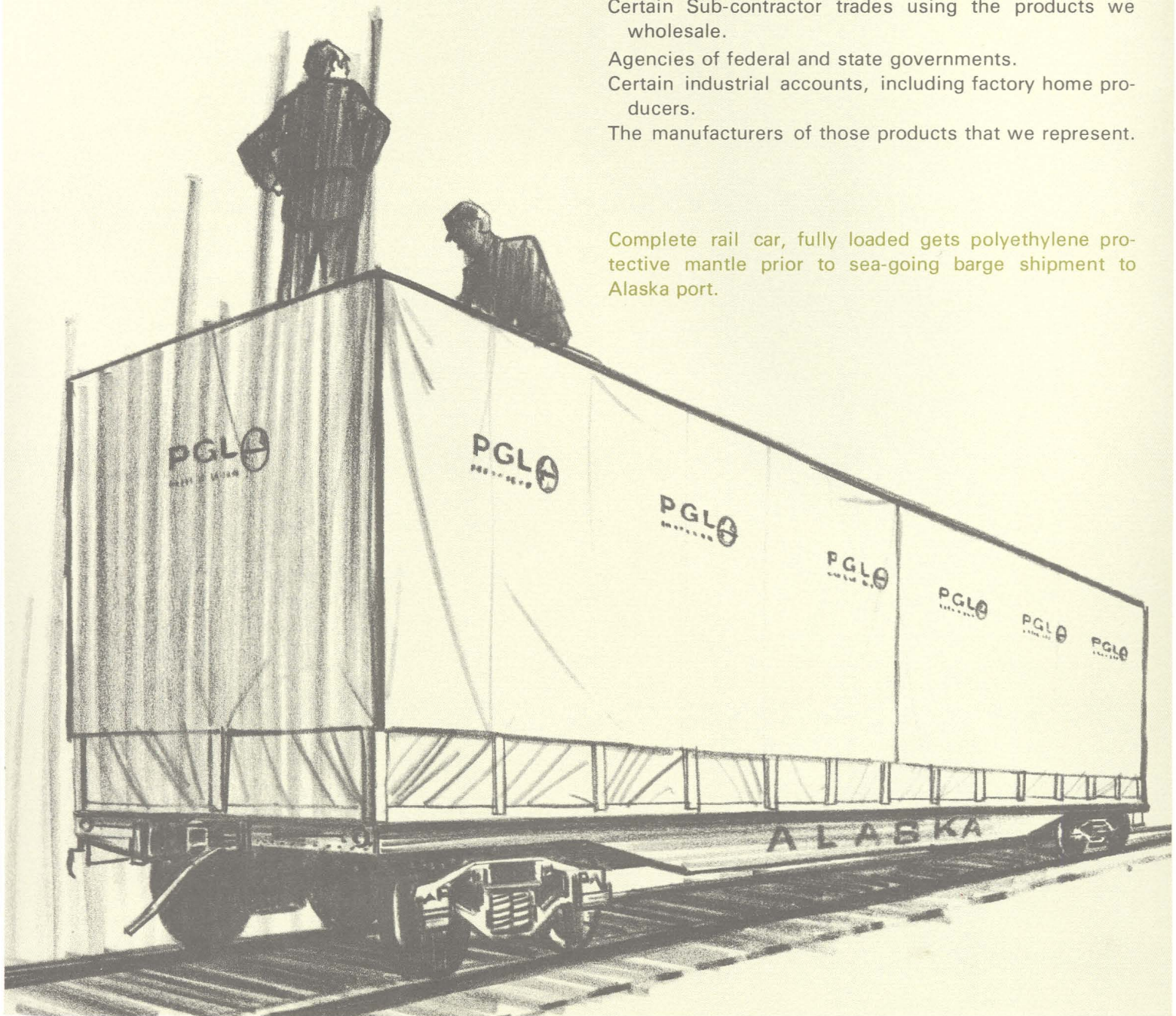
Certain Sub-contractor trades using the products we wholesale.

Agencies of federal and state governments.

Certain industrial accounts, including factory home producers.

The manufacturers of those products that we represent.

Complete rail car, fully loaded gets polyethylene protective mantle prior to sea-going barge shipment to Alaska port.



The Areas We Serve

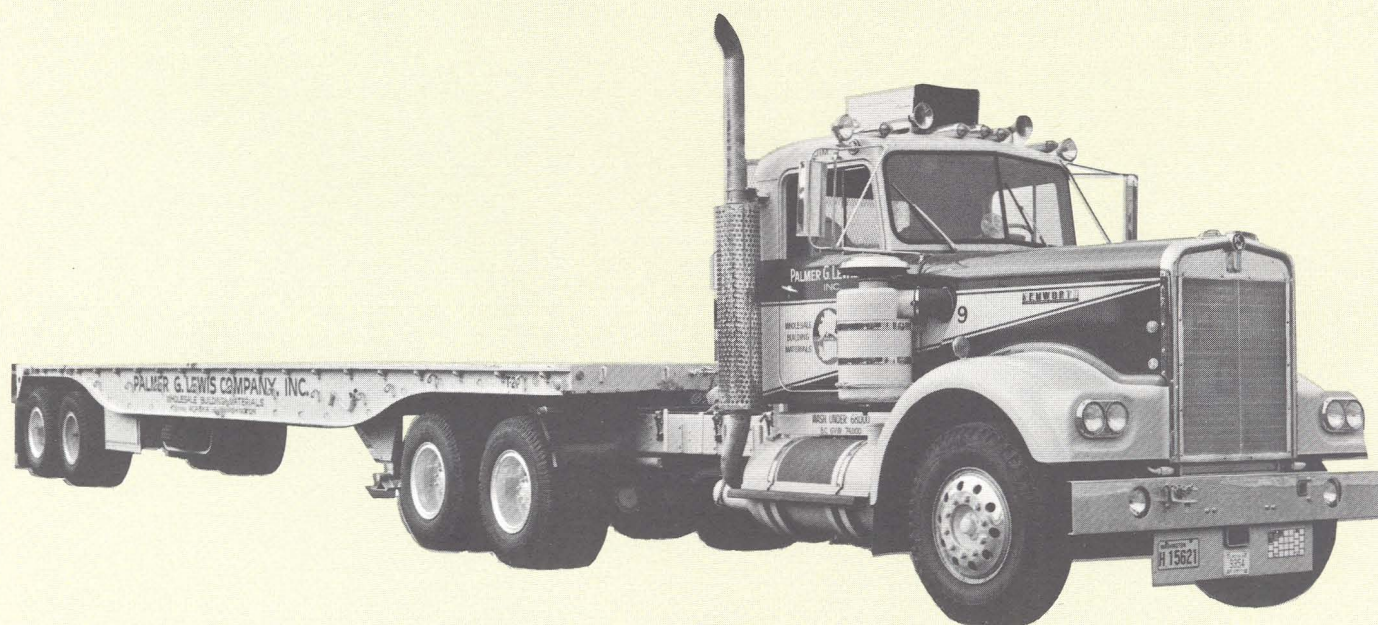


Financial Highlights

	YEARS ENDED		
	Jan. 30, 1970	Jan. 31, 1969	% Change
Net sales	\$17,238,267	\$16,576,941	+4
Income before income taxes	392,709	435,254	—10
Income taxes.	194,700	218,900	—11
Net income.	211,373	216,354	—2
* Per share	1.17	1.33	—12
Depreciation	105,940	83,387	+27
Cash flow (net income + depreciation)	317,313	299,741	+6
Cash dividends declared	27,039	39,191	—31
Per share15	.24**	—38
Total assets	4,934,947	4,306,547	+15
Stockholders' investment	1,988,182	1,794,446	+11
Shares outstanding at year end	180,308	172,763	+4
Average shares outstanding.	180,128	162,941	+11
Average number of employees.	118	106	+11

*Based on average number of shares outstanding and adjusted for 4% stock dividend in May, 1969.

**Includes 5 cents for first quarter of 1969, and adjusted for 4% stock dividend in May, 1969.



Message to P.G.L. Stockholders

We're proud to report that our sales for the fiscal year ending January 30, 1970 exceeded last year's record-breaking results by 4%. This was achieved in spite of all the well known adverse factors that affected our industry and the Puget Sound trading area. This represents the 13th consecutive year that PGL annual sales increased over the previous year. You have to go all the way back to 1956 to find a year where our annual sales decreased. During this 13-year period, we have experienced an average annual sales compound growth rate of close to 18%. Our net earnings have followed a similar growth pattern during this same period of time.

Net income for the year represented a slight decrease — amounting to \$211,373 for 1969 compared to \$216,354 for 1968 — a decrease of approximately 2%. More than anything else, the higher cost of money was both the direct and indirect reason for this slight reduction. A capsule report of last year's operation follows this message, together with selected graphs that quickly summarize some important 10-year statistics.

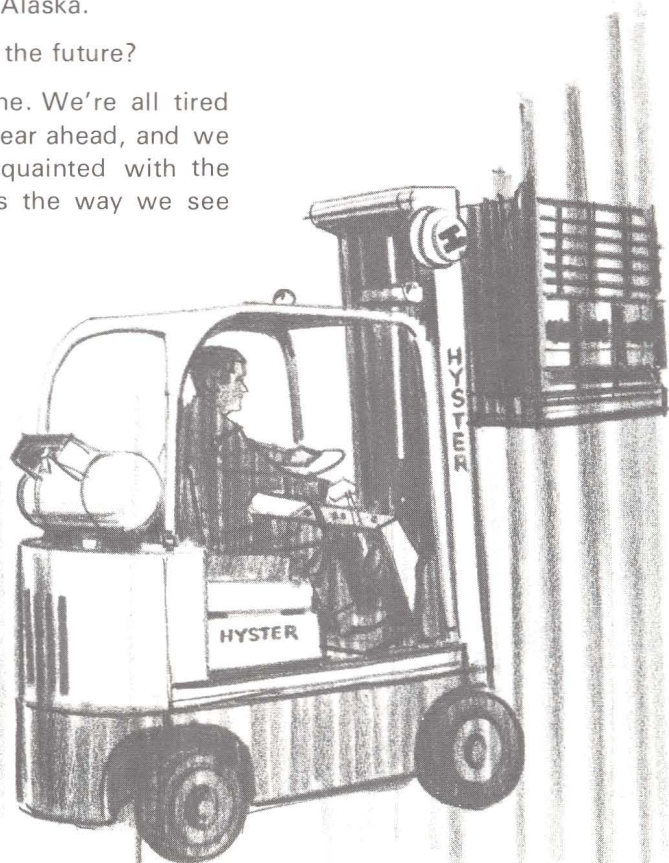
Last year, 1969, saw the opening of a new PGL Branch in Everett, Washington in April and the move to a new facility in Spokane in May. It also saw the purchase of our first subsidiary company. On June 9 we purchased a 75% interest in Superior Building Supply, Inc. in Kenai, Alaska. This retail building materials store services the important growing Kenai area and now operates in two locations — Kenai and Soldotna, Alaska.

But 1969 is now history. What about the future?

The year 1970 will be a difficult one. We're all tired of reading the comments about the year ahead, and we are confident that you are well acquainted with the economic forecasts. However, here's the way we see the year ahead for PGL Company.

We expect sales and earnings to modestly increase, and will be budgeting for an increase of approximately 10%. We anticipate a modest drop in our first quarter sales, but expect a modest increase in our second quarter sales and larger increases in our third and fourth quarter results. The Alaska market should be the source of extra sales for PGL Company in 1970, and we're pleased to announce that a new \$500,000 distribution warehouse will be constructed in Anchorage with completion scheduled by September 15, 1970. In addition, our new Everett and Spokane distribution centers now have their first year of operation behind them. We are also happy to report a new small PGL Branch will be opened in Salem, Oregon on June 1, 1970. We won't be counting on this modest-sized new Branch for tremendous results in 1970, but the significant fact is that the new Salem Branch will represent a start in the Oregon market.

In view of current conditions, your company is running lean and will continue to do so. However, it is our opinion that the federal government will begin to stimulate activity in the depressed building materials industry and that the latter part of 1970 will represent the real beginning of a new, prosperous period in our industry. We think this period will extend through most of the 70's. Your company will continue to do its best to capitalize on this growth.



Highlights for 1969

Net Sales

\$17,238,267 — a 4% increase over the previous year. This represents the 13th consecutive year in which sales increased. Sales in 1969 were approximately 820% over 1956 sales — an annual compound growth rate of close to 18% throughout this 13 year period.

Net Income

\$211,373 — a 2% decrease from the previous year. Earnings per share amounted to \$1.17 based on the average number of shares outstanding during the year. This compares with \$1.33 for the previous year which was based on a smaller average number of shares outstanding. The average number of shares outstanding, adjusted for stock dividends, was 180,128 for 1969 and 162,941 for 1968. You may recall that the PGL Company had a full scale SEC registration and stock offering to the public on July 16, 1968.

Dividends

Cash dividends have been paid for ten consecutive years. In 1968 the company adopted a policy of paying quarterly dividends and has been paying quarterly dividends of 5 cents per share. In addition, the Company has paid a 4% stock dividend in 1968 and 1969, and will pay another 4% stock dividend in May 1970.

Depreciation

Amounted to \$105,940 for 1969 as compared to \$83,387 for the previous year. Total cash flow (net

income + depreciation) amounted to \$317,313, which is an all-time high.

Net Worth

Amounted to \$1,988,182 at the end of 1969 — an increase of 11% over the previous year. PGL return on invested capital for 1969 (net worth at beginning of year) was 11.8%.

Profit Sharing

We have always felt that our greatest asset is the spirit of our employees, and we are very proud of this spirit. In the long run, it is this quality that determines the future of any company. Our Company Profit Sharing Plan is our single strongest tool in attracting and holding the large number of ambitious employees that every growing company needs. We're pleased to report that the Company's contribution to the Profit Sharing Trust for 1969 was \$80,000.

Conclusion

The year 1970 could represent a significant turning point in our industry. We definitely expect the '70's to present greater opportunities to your Company, and you may be sure that PGL will do its best to capitalize on the profit potentials in the growing distribution field. Thanks again — to our employees, to our customers, to our suppliers, and to our stockholders — for your cooperation, support, and understanding.



Palmer G. Lewis
Chairman of the Board

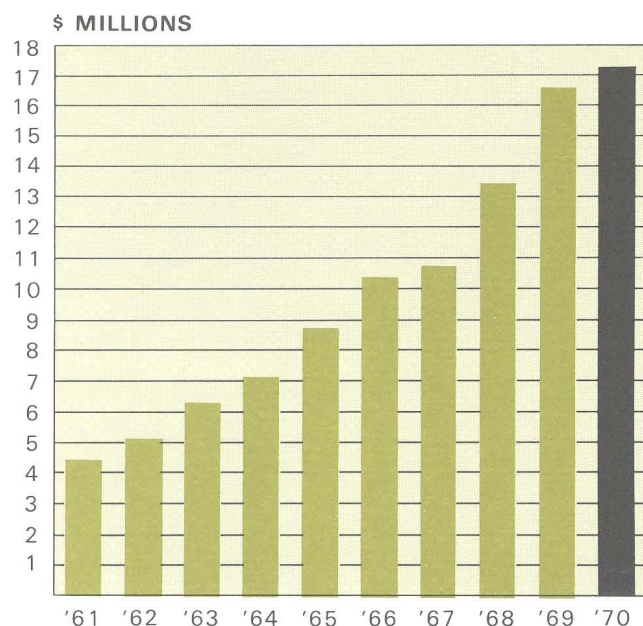


Robert D. Peterson
President

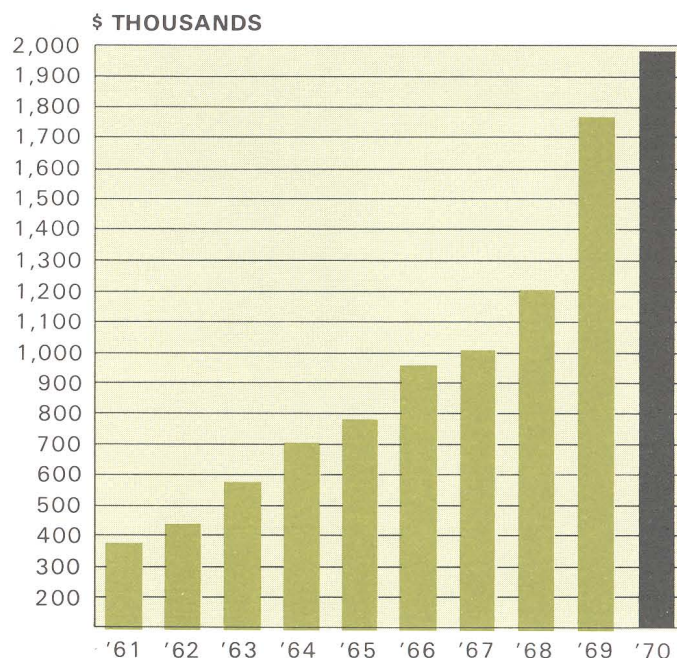


PGL supports dealer association product shows. Western Building Materials Association Conventions and Product exhibits are held in major Northwest cities each year.

Sales

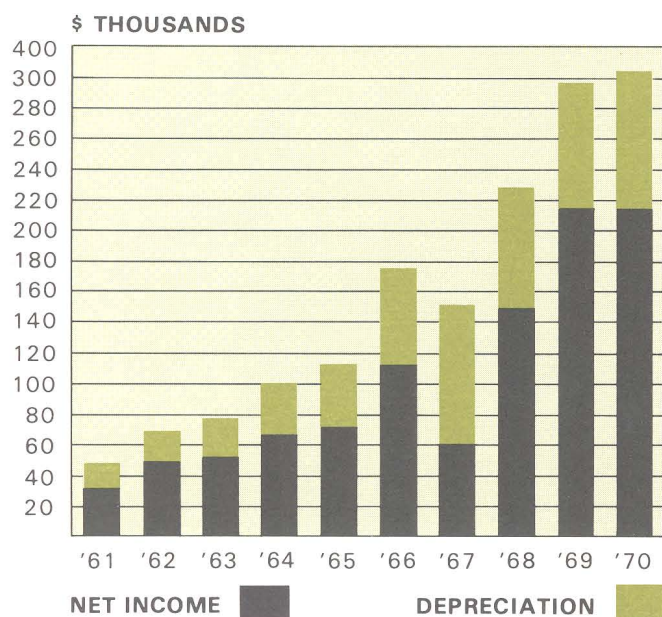


Net Worth



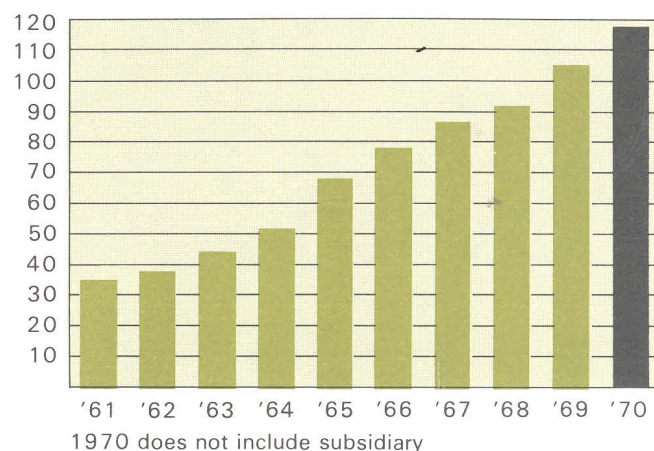
Cash Flow

(Net Income & Depreciation)

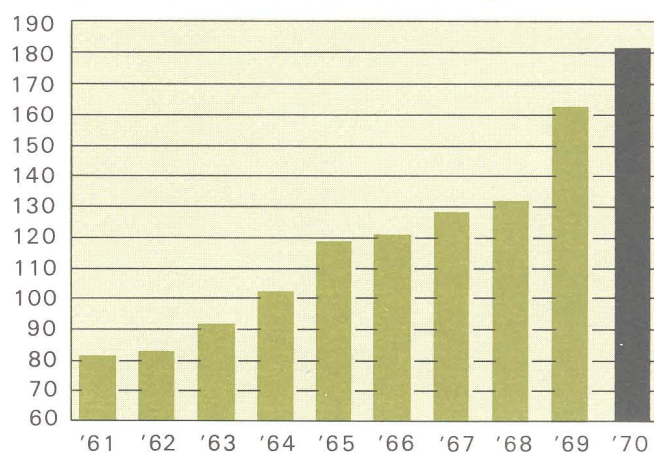


Years prior to 1965 exclude Robert D. Peterson Co., Inc. This Company has been consolidated in accordance with the pooling-of-interest principle of accounting, commencing with the year 1965.

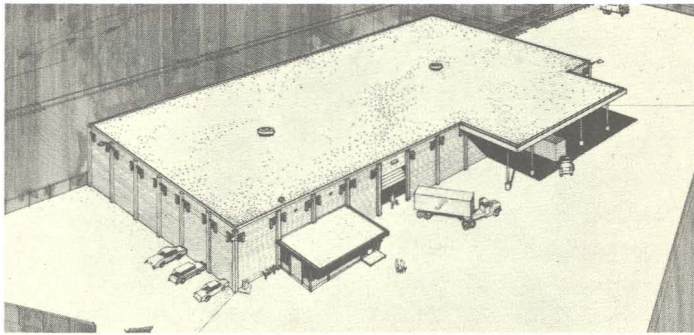
Average Number of Employees



Average Number of Shares Outstanding



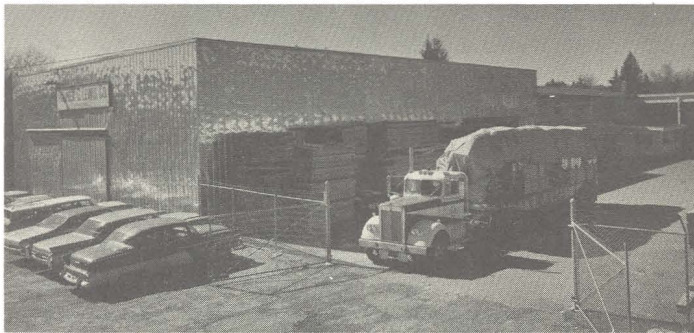
PGL Warehouses



ANCHORAGE: 2548 Post Road (Arctic Blvd. 11/1/70)



AUBURN: 417 "A" Street N.W.



BREMERTON: Old Belfair Road (Gorst)



EVERETT: 3013 Walnut Street



KENMORE: 6820 N.E. 175th Bothell Way

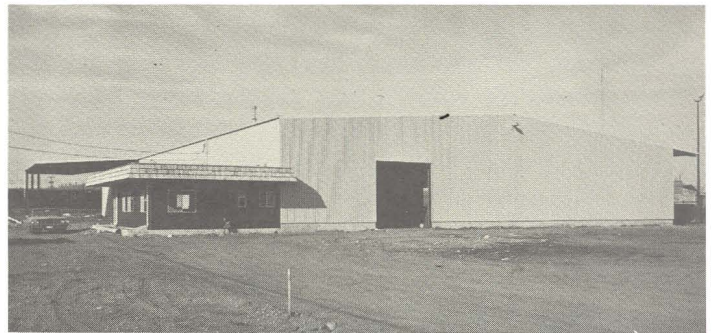
strategically located for maximum coverage of market area . . . offering customers full lines of major building material products.



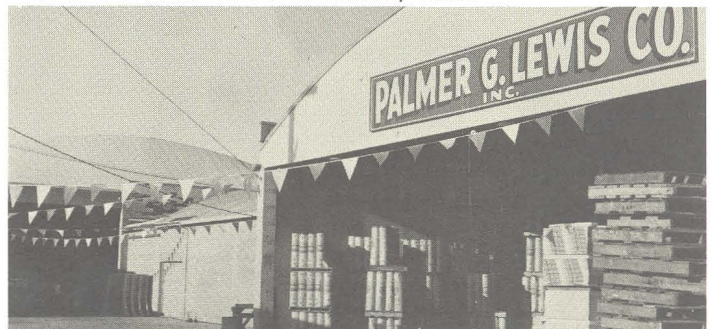
LACEY: Route 10, Box 474



SEATTLE: No. 4 South Idaho St.



SPOKANE: E. 4001 Broadway Ave.



WENATCHEE: 1027 South Columbia

Due to open June 1, 1970 in Oregon

SALEM: 1897-16th St. S.E.

Five Year Review

(Fiscal Year Ended)

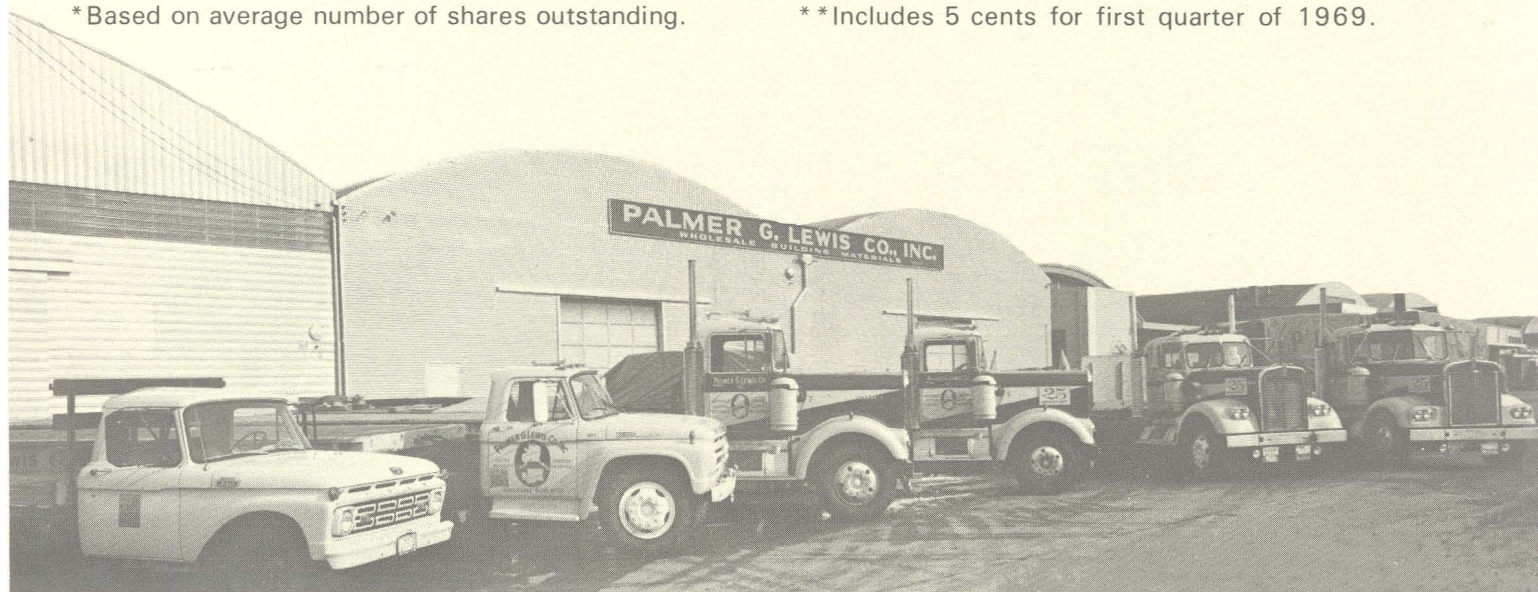
Jan. 30, 1970 Jan. 31, 1969 Jan. 26, 1968 Jan. 27, 1967 Jan. 28, 1966

1 Net sales	17,238,267	16,576,941	13,523,041	10,801,522	10,361,907
2 Income before income taxes . .	392,709	435,254	264,957	96,100	205,654
3 Income taxes	194,700	218,900	119,700	38,100	90,964
4 Net income	211,373	216,354	145,257	58,000	114,690
5 Net income					
As a % of sales	1.23%	1.31%	1.07%	0.54%	1.11%
As a % of average stockholders' investment	11.2%	14.4%	13.2%	5.9%	13.1%
Per common share*	\$1.17	\$1.33	\$1.16	\$.47	\$1.01
6 Depreciation	105,940	83,387	81,621	86,877	79,589
7 Cash flow — (net income + depreciation) . . .	317,313	299,741	226,878	144,877	194,279
8 Cash dividends declared per share	.15	.24**	.19	.17	.17
9 Stock dividends	4%	—	4%	—	—
10 Capital expenditures net of retirements	387,911	595,062	89,157	262,079	139,313
11 Working capital	1,311,166	931,599	758,235	626,642	661,998
12 Stockholders' investment	1,988,182	1,794,446	1,200,545	1,003,484	966,546
13 Shares outstanding at year end	180,308	172,763	132,763	122,377	122,377
14 Average shares outstanding . . .	180,128	162,941	132,307	129,222	120,340
15 Totals assets	4,934,947	4,306,547	3,366,366	2,826,904	2,553,643
16 Number of employees	118	106	91	87	79

Adjustments have been made to reflect 10-for-1 stock split in March 1968, and for stock dividend in January, 1968, and May 1969.

*Based on average number of shares outstanding.

**Includes 5 cents for first quarter of 1969.



PALMER G. LEWIS CO., INC. AND SUBSIDIARY

Consolidated Balance Sheets

JANUARY 30, 1970 and JANUARY 31, 1969

RECEIVED
JUN 11 1970
CREDIT DEPT.

Assets

CURRENT ASSETS:	1970	1969
Cash	\$ 58,727	\$ 34,924
Receivables, less allowance for doubtful accounts of \$98,529 in 1970 and \$96,368 in 1969	1,733,091	1,631,166
Inventories, at the lower of first-in, first-out cost or market	1,719,283	1,512,691
Prepaid expenses	53,539	42,733
Total current assets	<u>\$3,564,640</u>	<u>\$3,221,514</u>
LAND, BUILDINGS AND EQUIPMENT, at cost:		
Land	\$ 335,578	\$ 299,990
Buildings	732,378	524,385
Equipment	693,058	531,562
Furniture and fixtures	76,927	72,089
Construction in progress	13,600	98,488
	<u>\$1,851,541</u>	<u>\$1,526,514</u>
Less — Accumulated depreciation (Note 2)	<u>(544,445)</u>	<u>(501,389)</u>
Net land, buildings and equipment .	<u>\$1,307,096</u>	<u>\$1,025,125</u>
OTHER ASSETS	\$ 63,211	\$ 59,908
	<u>\$4,934,947</u>	<u>\$4,306,547</u>

Liabilities

CURRENT LIABILITIES:	1970	1969
Notes payable to banks (of which \$136,824 is secured by certain receivables and inventories)	\$ 986,825	\$1,075,000
Current portion of long-term debt	100,356	76,385
Accounts payable	770,261	628,396
Accrued expenses	341,460	347,757
Accrued income taxes	54,572	162,377
Total current liabilities	<u>\$2,253,474</u>	<u>\$2,289,915</u>
LONG-TERM DEBT, less current portion (Note 3)	\$ 651,436	\$ 213,086
DEFERRED INCOME TAXES (Note 2)	\$ 18,935	\$ 9,100
MINORITY INTEREST IN SUBSIDIARY	\$ 22,920	\$ —
STOCKHOLDERS' INVESTMENT:		
Common stock, par value \$2.50, authorized 400,000 shares, out- standing 180,308 shares in 1970 and 172,763 in 1969 (Note 4)	\$ 450,770	\$ 431,908
Paid-in capital	732,213	585,425
Retained earnings	805,199	777,113
Total stockholders' investment	<u>\$1,988,182</u>	<u>\$1,794,446</u>
	<u>\$4,934,947</u>	<u>\$4,306,547</u>

The accompanying notes are an integral part of these balance sheets.

Consolidated Statements of Income

FOR THE YEARS ENDED JANUARY 30, 1970 AND JANUARY 31, 1969

	1970	1969
INCOME:		
Net sales	\$ 17,238,267	\$ 16,576,941
Other income	57,656	27,490
	<u>\$ 17,295,923</u>	<u>\$ 16,604,431</u>
COSTS AND EXPENSES:		
Costs of goods sold	\$ 14,207,362	\$ 13,851,571
Depreciation (Note 2)	105,940	83,387
Selling and handling expenses	1,136,306	930,043
General and administrative expenses	1,190,071	1,116,344
Employees' profit sharing plan	80,838	92,000
Interest expense	176,027	95,832
Minority interest equity in earnings	6,670	—
	<u>\$ 16,903,214</u>	<u>\$ 16,169,177</u>
Income before income taxes and extraordinary gain	\$ 392,709	\$ 435,254
INCOME TAXES:		
Current	\$ 184,865	\$ 209,800
Deferred	9,835	9,100
	<u>\$ 194,700</u>	<u>\$ 218,900</u>
Income before extraordinary gain	\$ 198,009	\$ 216,354
EXTRAORDINARY GAIN on sale of trucks, less income taxes of \$ 14,830	13,364	—
NET INCOME	<u>\$ 211,373</u>	<u>\$ 216,354</u>
EARNINGS PER SHARE:		
(Based on average shares outstanding and adjusted to reflect 4% stock dividend in May 1969)		
Income before extraordinary gain	\$ 1.10	\$ 1.33
Extraordinary gain, net of income taxes07	—
Net income	<u>\$ 1.17</u>	<u>\$ 1.33</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Paid – In Capital and Retained Earnings

FOR THE YEARS ENDED JANUARY 30, 1970 AND JANUARY 31, 1969

	<u>Paid-in Capital</u>	
	<u>1970</u>	<u>1969</u>
BALANCE AT BEGINNING OF YEAR	\$ 585,425	\$ 268,687
Cash proceeds over par value of common stock sold (700 shares in 1970 for stock options exercised and 40,000 shares sold in 1969)	9,888	316,738
Fair value over par value of 6,845 shares of common stock issued as stock dividends	<u>136,900</u>	<u>—</u>
BALANCE AT END OF YEAR	<u>\$ 732,213</u>	<u>\$ 585,425</u>

	<u>Retained Earnings</u>	
	<u>1970</u>	<u>1969</u>
BALANCE AT BEGINNING OF YEAR	\$ 777,113	\$ 599,950
Net income	211,373	216,354
Dividends declared —		
Cash — \$0.15 per share in 1970 and \$0.24 per share in 1969	(27,039)	(39,191)
Common stock — 4%	<u>(156,248)</u>	<u>—</u>
BALANCE AT END OF YEAR	<u>\$ 805,199</u>	<u>\$ 777,113</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Source and Application of Funds

FOR THE YEARS ENDED JANUARY 30, 1970 AND JANUARY 31, 1969

	<u>1970</u>	<u>1969</u>
FUNDS WERE PROVIDED FROM:		
Operations —		
Net income	\$ 211,373	\$ 216,354
Depreciation	<u>105,940</u>	<u>83,387</u>
Total	\$ 317,313	\$ 299,741
Proceeds from sale of stock	11,638	416,738
Proceeds from long-term borrowings	595,372	147,000
Decrease (increase) in other assets	(3,303)	12,458
Deferred income taxes	9,835	9,100
Minority interest of subsidiary	<u>22,920</u>	<u>—</u>
Total	\$ <u>953,775</u>	\$ <u>885,037</u>
FUNDS WERE EXPENDED FOR:		
Additions to land, buildings and equipment, net of retirements	\$ 387,911	\$ 595,062
Reduction of long-term debt	157,022	77,420
Cash dividends	27,039	39,191
Other	<u>2,236</u>	<u>—</u>
	\$ <u>574,208</u>	\$ <u>711,673</u>
NET INCREASE IN WORKING CAPITAL	\$ <u><u>379,567</u></u>	\$ <u><u>173,364</u></u>

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

JANUARY 30, 1970

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its majority owned subsidiary (acquired in June 1969) after elimination of intercompany accounts and transactions. The results of operations of the subsidiary are included in the consolidated statement of income from the date of acquisition.

2. DEPRECIATION POLICY:

Buildings and equipment are depreciated on the straight-line method for financial purposes based upon the estimated service lives of the properties. For tax purposes, equipment is depreciated on the double declining balance method. Deferred income taxes have been provided for depreciation deducted for income tax purposes in excess of amounts deducted for financial purposes.

3. LONG-TERM DEBT:

	<u>1970</u>	<u>1969</u>
Notes payable secured by mortgages on certain land, buildings and equipment —		
8% note payable in monthly installments of \$1,435, including interest	\$145,517	\$ —
7½% note payable in monthly installments of \$2,500	104,977	—
7% notes payable in monthly installments of \$1,161, including interest	74,055	89,276
Real estate contract, 7%, payable in annual installments of \$20,100	80,400	100,500
Equipment purchase obligations, payable in monthly installments of \$2,379	184,027	—
Notes payable of subsidiary —		
8% notes payable in semi-annual installments of \$8,093, including interest, guaranteed by stockholders	92,588	—
3% notes payable to SBA, payable in monthly installments of \$399, including interest, guaranteed by stockholders	28,588	—
5% policy loans payable to insurance companies, secured by life insurance policies owned by the Company	35,249	31,966
Other	6,391	67,729
	<u>\$751,792</u>	<u>\$289,471</u>
Less — Current portion	<u>(100,356)</u>	<u>(76,385)</u>
	<u>\$651,436</u>	<u>\$213,086</u>

Notes to Consolidated Financial Statements (Cont.)

4. COMMON STOCK AND STOCK OPITONS:

In March 1970, the Company declared a 4% stock dividend to stockholders of record on April 24, 1970, and to be issued on May 15, 1970. The stock dividend has not been reflected in the financial statements as of January 30, 1970.

In May 1969, the stockholders reserved an additional 7,500 shares of common stock for issuance under the Company's stock option plan bringing the total shares reserved for stock options to 15,000 shares. At January 30, 1970, there were stock options outstanding to purchase 7200 shares of common stock at prices averaging \$15.96 per share, including 1600 shares exercisable at an average price of \$16.02 per share. Options on 4,000 shares were granted during 1969 at an average price of \$15.42 per share, the market value at the date of grant. During the year, 700 shares were exercised at a price of \$16.625 per share.

5. COMMITMENTS:

The Company and its subsidiary lease certain buildings and land. The aggregate rental payments under these leases, which expire at various times through 1988, approximate \$134,800 for fiscal year 1971.

6. CONTINGENCY:

In January 1969, there was filed in the United States District Court an action against the Company, as one of five defendants (three manufacturers and two wholesalers). The complaint alleges, in general terms, violations of the Anti-Trust Laws under the Sherman Act and Clayton Act. The Company has answered the complaint, denying all violations alleged and denying that the plaintiff has been damaged. In the opinion of management and the Company's legal counsel, damages, if any, against the Company would not have a material adverse effect upon its operations.

Selling and Service are Two Important Functions



Two PGL truck drivers with loaded rig.



PGL salesman and his price catalog — an inseparable combination.

Report of Independent Accountants

To the Stockholders and Board of Directors of
Palmer G. Lewis Co., Inc.:

We have examined the consolidated balance sheet of Palmer G. Lewis Co., Inc. (a Washington corporation) and subsidiary as of January 30, 1970, and the related consolidated statements of income, paid-in capital, retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Palmer G. Lewis Co., Inc. and subsidiary as of January 30, 1970, and the results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Seattle, Washington
March 20, 1970

Modern bookkeeping and billing
machines keep pace with sales
department invoices.



Arch 1985



PALMER G. LEWIS CO., INC.