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SECURITIES AND EXCHANGE COMMISSION

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.
20549

RECD-S.E.C.
MAR 1 1971

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1970 Commission file number 1-4720

WESCO FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

95-2109453
(I.R.S. Employer
Identification No.)

315 East Colorado Boulevard, Pasadena, California
(Address of principal executive offices)

91109
(Zip Code)

Registrant's telephone number, including area code (213) 684-1500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Capital (Common) Par Value \$1

Name of each exchange on
which registered
New York Stock Exchange
Pacific Coast Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

MAR 1 1971

Item 1. Business.

(a) Registrant, incorporated in Delaware on March 18, 1959, acts as trustee under deeds of trust, owns and operates the Pasadena business block in which the head office of its subsidiary Mutual Savings and Loan Association ("Mutual") is located and a minor amount of other property, and owns all of the outstanding Guarantee Stock of Mutual which serves the Southern California area through four offices within Los Angeles County and one office in Orange County. Mutual is engaged in the business of lending money, principally secured by first liens against real estate to enable borrowers to purchase, construct or re-finance real property. Funds are provided largely by savings account holders and borrowings from the Federal Home Loan Bank (FHLB). The principal sources of income to Mutual are interest received from borrowers, loan origination fees and other fees derived from loans. Mutual has a wholly-owned subsidiary which acts as an insurance agent, principally for fire and extended coverage property insurance and mortgage life insurance. Mutual also owns an inactive service corporation.

(b) (1) Savings deposits in the year 1970 declined until about September 30, at which time Mutual's savings accounts totaled \$282,259,868. Since that time they have been increasing substantially, with the increase between October 1 and December 31, 1970 amounting to \$6,392,263. During the last quarter of 1970 the market for real estate loans deteriorated because of the increased flow of funds available for lending, the decline of economic activity in the United States, and substantial rise in unemployment throughout the country and particularly so in the aerospace industry in Southern California. Mutual's assets at December 31, 1970 ranked 33rd among the nation's savings and loan associations.

(2) through (5) not applicable.

(6) Registrant and its subsidiaries employed 134 persons at December 31, 1970.

(c) Registrant and its subsidiaries are engaged in only one line of business within the definition of this item.

(d) through (f) not applicable.

Item 2. Summary of Operations.

(a)

CONSOLIDATED STATEMENT OF OPERATIONS
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES

Five Years Ended December 31, 1970

(Not covered by independent accountants' current report)

	Year Ended December 31				
	1966	1967	1968	1969	1970
Income:					
Interest on loans	\$23,442,508	\$22,675,220	\$23,649,528	\$25,503,190	\$25,866,007
Loan origination fees	733,045	778,900	1,207,943	1,037,277	554,315
Interest and dividends on investments	1,439,876	1,649,550	2,383,600	1,948,481	1,886,668
Escrow and other fees	634,675	862,138	810,625	729,873	614,883
Operation and net gains and losses from sales of real property	(510,446)	(313,443)	(489,770)	1,059,156	1,165,958
Rental of office premises, net	220,751	212,832	280,708	283,061	312,465
Other income	167,211	165,535	148,701	138,910	32,893
	<u>26,127,620</u>	<u>26,029,738</u>	<u>27,991,335</u>	<u>30,699,948</u>	<u>30,433,189</u>
Expenses:					
General and administrative expenses	3,392,686	3,079,882	2,991,857	3,054,564	3,104,796
Interest on savings accounts	16,984,844	18,041,183	17,491,707	16,573,438	15,282,734
Other interest expense	2,259,256	1,778,512	2,030,118	3,731,867	6,965,476
	<u>22,636,786</u>	<u>22,899,577</u>	<u>22,513,682</u>	<u>23,359,869</u>	<u>25,353,006</u>
Earnings before taxes on income and loss from sale of United States Government obligations	<u>3,490,834</u>	<u>3,130,161</u>	<u>5,477,653</u>	<u>7,340,079</u>	<u>5,080,183</u>
Taxes on income:					
Current	560,000	595,000	850,000	1,287,200	1,125,600
Deferred	336,024	225,733	762,000	2,074,000	906,000
	<u>896,024</u>	<u>820,733</u>	<u>1,612,000</u>	<u>3,361,200</u>	<u>2,031,600</u>
Earnings before loss from sale of United States Government obligations	2,594,810	2,309,428	3,865,653	3,978,879	3,048,583
Loss from sale of United States Government obligations, less Federal income tax benefit	---	1,456,901	---	---	---
Net earnings	<u>\$2,594,810</u>	<u>\$ 852,527</u>	<u>\$3,865,653</u>	<u>\$3,978,879</u>	<u>\$3,048,583</u>
Per share based on 2,050,118 shares outstanding December 31, 1970, retroactively adjusted for 5% stock dividends in 1966, 1967, 1968, 1969 and 1970:					
Earnings before loss from sale of United States Government obligations	\$1.27	\$1.13	\$1.89	\$1.94	\$1.49
Loss from sale of United States Government obligations, less Federal income tax benefit	---	.71	---	---	---
Net earnings	<u>\$1.27</u>	<u>\$.42</u>	<u>\$1.89</u>	<u>\$1.94</u>	<u>\$1.49</u>

Item 2. Summary of Operations, continued.

(a), continued.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES
Five Years Ended December 31, 1970
(Not covered by independent accountants' current report)

	Year Ended December 31,				
	1966	1967	1968	1969	1970
Common stock:					
Beginning of year	\$ 1,606,320	\$ 1,686,636	\$ 1,770,968	\$ 1,859,517	\$ 1,952,493
5% stock dividend	<u>80,316</u>	<u>84,332</u>	<u>88,549</u>	<u>92,976</u>	<u>97,625</u>
End of year	<u>1,686,636</u>	<u>1,770,968</u>	<u>1,859,517</u>	<u>1,952,493</u>	<u>2,050,118</u>
Capital surplus:					
Beginning of year	13,603,219	14,948,512	16,361,073	17,999,231	20,637,424
Excess of market value of stock dividend over par value of stock issued	<u>1,345,293</u>	<u>1,412,561</u>	<u>1,638,158</u>	<u>2,638,193</u>	<u>1,781,656</u>
End of year	<u>14,948,512</u>	<u>16,361,073</u>	<u>17,999,231</u>	<u>20,637,424</u>	<u>22,419,080</u>
Retained earnings:					
Appropriated to general reserves:					
Beginning of year	36,450,356	35,877,290	37,385,768	41,900,000	40,200,000
Adjustments and trans- fers from (to) unappropriated earnings	(1,834,226)	1,549,770	2,148,579	(1,700,000)	690,000
Allocation of net earnings	<u>1,261,160</u>	<u>(41,292)</u>	<u>2,365,653</u>	<u>---</u>	<u>---</u>
End of year	<u>35,877,290</u>	<u>37,385,768</u>	<u>41,900,000</u>	<u>40,200,000</u>	<u>40,890,000</u>
Unappropriated:					
Beginning of year	4,566,707	7,734,583	7,078,632	6,430,053	12,108,932
Adjustments and trans- fers from (to) general reserves	1,834,226	(1,549,770)	(2,148,579)	1,700,000	(690,000)
Allocation of net earnings	<u>1,333,650</u>	<u>893,819</u>	<u>1,500,000</u>	<u>3,978,879</u>	<u>3,048,583</u>
End of year	<u>7,734,583</u>	<u>7,078,632</u>	<u>6,430,053</u>	<u>12,108,932</u>	<u>14,467,515</u>
Less stock dividends at market value:					
Beginning of year	(14,009,518)	(15,435,126)	(16,932,019)	(18,658,726)	(21,389,896)
Market value of stock dividend	<u>(1,425,608)</u>	<u>(1,496,893)</u>	<u>(1,726,707)</u>	<u>(2,731,170)</u>	<u>(1,879,281)</u>
End of year	<u>(15,435,126)</u>	<u>(16,932,019)</u>	<u>(18,658,726)</u>	<u>(21,389,896)</u>	<u>(23,269,177)</u>
Total retained earnings	<u>28,176,747</u>	<u>27,532,381</u>	<u>29,671,327</u>	<u>30,919,036</u>	<u>32,088,338</u>
Total stockholders' equity	<u>\$44,811,895</u>	<u>\$45,664,422</u>	<u>\$49,530,075</u>	<u>\$53,508,953</u>	<u>\$56,557,536</u>

4.

Item 2. Summary of Operations, continued.

(b) through (d) not applicable.

Item 3. Properties.

For information as to property, plant and equipment of registrant and its subsidiaries, reference is made to Schedules V and VI of Accountants' Report filed as a part of this report.

Item 4. Parents and Subsidiaries.

There has been no change in the relationship of registrant to its subsidiaries from that previously reported at Item 3 of registrant's 1966 and 1967 annual reports on Form 10-K.

Item 5. Pending Legal Proceedings.

None other than ordinary routine litigation incidental to the business.

Item 6. Increases and Decreases in Outstanding Equity Securities.

The increase reported herein involves registrant's capital stock, par value \$1, which is its only class of stock.

Number of shares of capital stock outstanding at December 31, 1969 as shown on registrant's balance sheet for its previous fiscal year 1,952,493

Number of shares of outstanding capital stock increased by 97,625 shares issued as a stock dividend at the rate of one share for each twenty shares of outstanding capital stock, paid April 7, 1970 to stockholders of record at the close of business on March 4, 1970. No fractional shares were issued to the stockholders, but the aggregate of all fractional interests was issued to Security Pacific National Bank, sold by it on the New York Stock Exchange as agent for the stockholders, and net proceeds disbursed pro rata to the stockholders entitled thereto 97,625

Number of shares of capital stock of registrant outstanding at December 31, 1970 2,050,118

The 97,625 shares so issued were not registered under the Securities Act of 1933 because in the opinion of registrant's counsel the issuance of the full shares to the stockholders did not constitute "sales" within the meaning of section 2(3) of the Act, and the issuance of the shares representing fractional interests to the stockholders' agent is exempt under Rule 236 of the General Rules and Regulations issued under the Act.

Item 7. Approximate Number of Equity Security Holders at December 31, 1970.

(1)	(2)
<u>Title of class</u>	<u>Number of record holders</u>
Capital (common) par value \$1	5,332

Item 8. Executive Officers of the Registrant.

Listing of registrant's executive officers follows. There is no family relationship between any of them.

1. Richard D. Aston, age 69, chairman of the board of directors.
2. Louis R. Vincenti, age 65, president.
3. Marian H. Wiggins, age 60, secretary and treasurer.

Item 9. Indemnification of Directors and Officers.

Section NINTH (6) and (7) of registrant's Articles of Incorporation contain the following provisions for indemnification of directors, officers and employees:

"6. Every person now or hereafter serving as director, officer or employee of the corporation shall be indemnified and held harmless by the corporation from and against any and all loss, cost, liability and expense that may be imposed upon or incurred by him in connection with or resulting from any claim, action, suit or proceeding, civil or criminal, in which he may become involved, as a party or otherwise, by reason of his being or having been a director, officer or employee of the corporation, whether or not he continues to be such at the time such loss, cost, liability or expense shall have been imposed or incurred. As used herein, the term 'loss, cost, liability and expense' shall include, but shall not be limited to, counsel fees and disbursements and amounts of judgments, fines or penalties against, and amounts paid in settlement by, any such director, officer or employee; provided, however, that no such director, officer or employee shall be entitled to claim such indemnity; (1) with respect to any matter as to which there shall have been a final adjudication that he has committed or allowed some act or omission, (a) otherwise than in good faith in what he considered to be the best interests of the corporation, and (b) without reasonable cause to believe that such act or omission was proper and legal; or (2) in the event of a settlement of such claim, action, suit or proceeding unless (a) the court having jurisdiction thereof shall have approved of such settlement with knowledge of the indemnity provided herein, or (b) a written opinion of independent legal counsel, selected by or in manner determined by the Board of Directors, shall have been rendered substantially concurrently with such settlement, to the effect that it was not probable that the matter as to which indemnification is being made would have resulted in a final adjudication as specified in clause (1) above, and that the said loss, cost, liability or expense may properly be borne by the corporation. A conviction or judgment (whether based on a plea of guilty or nolo contendere or its equivalent, or after trial) in a criminal action, suit or proceeding shall not be deemed an adjudication that such director, officer or employee has committed or allowed some act or omission as hereinabove provided if independent legal counsel, selected as hereinabove set forth, shall substantially concurrently with such conviction or judgment give to the corporation a written opinion that such director, officer or employee was acting in good faith in what he considered to be the best interests of the corporation or was not without reasonable cause to believe that such act or omission was proper and legal.

"7. Every person (including a director, officer or employee of the corporation) who at the request of the corporation acts as a director, officer or employee of any other corporation in which the corporation owns shares of stock or of which it is a creditor shall be indemnified to the same extent and subject to the same conditions that the directors, officers and employees of the corporation are indemnified under the preceding paragraph, except that the amounts of such loss, cost, liability or expense paid to any such director, officer or employee shall be reduced by and to the extent of any amounts which may be collected by him from such other corporation."

Item 9. Indemnification of Directors and Officers. continued.

At its April 16, 1968 meeting, respondent's board of directors adopted the following resolution in clarification of the indemnification provisions:

"RESOLVED that all directors, officers and employees of Mutual Savings and Loan Association, WSC Insurance Agency and Wes-Fin Service Corp., wholly-owned subsidiaries of this corporation who are now serving or who heretofore or hereafter served or serve said subsidiaries in said capacities, are deemed to have served or to be serving said subsidiaries at the request of this corporation and, as such, shall be eligible for indemnification by this corporation under the provisions of Section NINTH (6) and (7) of its Articles of Incorporation, and the provisions of Section 145 of Chapter 1 of Title 8 of the Delaware Code, as amended. In addition, agents of said subsidiaries shall be deemed to have served or to be serving said subsidiaries at the request of this corporation and, as such, shall be eligible for indemnification under the provisions of said Section 145 of the General Corporation Law of the State of Delaware."

Item 10. Exhibits, Financial Statements and Schedules

Accountants' Report

Index to Financial Statements and Schedules

Financial Statements:

Wesco Financial Corporation and Wesco Financial Corporation and Subsidiaries, Consolidated:

Statements of Condition - December 31, 1970 and 1969

Statement of Earnings - Two years ended December 31, 1970

Statement of Stockholders' Equity - Two years ended December 31, 1970

Notes to Consolidated Financial Statements

Exhibit 1 - Statement of Source and Application of Funds

Schedules:

Wesco Financial Corporation and Wesco Financial Corporation and Subsidiaries, Consolidated:

Schedule III - Investments in Securities of Affiliate

Schedule V - Property, Plant and Equipment

Schedule VI - Reserves for Depreciation and Amortization of Property, Plant and Equipment

Schedule XVII - Income from Dividends - Equity in Net Profit and Loss of Affiliate

Schedules I, II, IV and VII through XVI are omitted because they are not applicable or because the required information is shown in the financial statements or notes to financial statements.

7.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

WESCO FINANCIAL CORPORATION

Date 3/29/71

By Louis R. Vincent
Louis R. Vincent President

RECD-S.E.C.

MAR 2 1971

WESCO FINANCIAL CORPORATION

**Annual Report for Corporations - Form 10-K
Two Years ended December 31, 1970**

**Financial Statements, Supplementary Data,
and
Accountants' Report**

PEAT, MARWICK, MITCHELL & Co.
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT

The Board of Directors
Wesco Financial Corporation:

We have examined the financial statements and related schedules of Wesco Financial Corporation and Wesco Financial Corporation and subsidiaries, consolidated as listed in the accompanying index. 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.

In our opinion, the accompanying financial statements present fairly the financial position of Wesco Financial Corporation and Wesco Financial Corporation and subsidiaries, consolidated at December 31, 1970 and 1969, and the results of their operations for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Also, in our opinion, the statement of source and application of funds and the supporting schedules present fairly the information set forth therein.

Peat, Marwick, Mitchell & Co.

Los Angeles, California
February 5, 1971

**WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED**

Index to Financial Statements and Schedules

Financial Statements:

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Schedules I, II, IV and VII through XVI are omitted because they are not applicable or because the required information is shown in the financial statements or notes to financial statements.

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WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED
Statements of Condition
December 31, 1970 and 1969

Assets	1970		1969	
	Company	Consolidated	Company	Consolidated
Cash	\$ 3,204,269	1,057,850	3,526,065	1,140,760
United States Government obligations, at amortized, identified cost (quoted market, 1970, \$16,000,000 and 1969, \$587,000 and \$22,751,000) (note 3)	-	16,761,085	587,616	24,912,181
Other marketable securities, at amortized, identified cost (quoted market 1970, \$2,500,000 and \$8,280,000) (note 3)	2,499,499	8,313,217	-	393,907,873
Loans receivable (notes 2 and 3)	159,931	381,107,044	127,880	1,524,667
Accrued interest receivable	69,687	1,540,313	-	-
Properties purchased and held for investment, at cost (note 3)	88,999	3,394,116	88,999	3,135,053
Properties acquired through foreclosure and held for sale, at cost less allowance for losses in 1970, \$356,756 (\$399,460 in 1969, and accumulated depreciation of \$46,291 in 1969) (note 3)	-	10,087,489	-	10,416,625
Investment in stock of Federal Home Loan Bank of San Francisco, at cost (note 3)	-	6,942,000	-	6,402,500
Investment in subsidiaries (Schedule III) (note 1) Due from subsidiary	51,448,551	-	48,500,111	80,000
Office property and equipment, at cost less accumulated depreciation and amortization (Schedules V and VI) (note 9)	4,842,714	5,354,112	5,037,987	5,592,202
Prepaid Federal Savings and Loan Insurance Corporation premium	-	4,532,113	-	4,947,301
Other assets	23,258	422,289	107,945	570,182
	<u>\$ 62,336,908</u>	<u>439,511,628</u>	<u>58,056,603</u>	<u>452,549,344</u>
Liabilities and Stockholders' Equity				
Savings deposits	\$ -	288,652,131	-	303,811,989
Notes payable (note 3)	1,336,500	81,117,827	-	80,281,568
Loan payable to Mutual Savings	3,679,156	-	3,890,453	-
Loans in process	-	1,764,751	-	3,926,631
Accrued interest payable	9,355	9,490	-	162,021
Advances by borrowers for taxes and insurance	-	688,464	-	733,357
Accounts payable and sundry accrued expenses	625,371	1,035,603	404,591	789,413
Federal and State income taxes including deferred taxes in 1970, \$5,900,000 (\$4,863,000 in 1969) (consolidated) (note 4)	104,182	6,359,189	228,129	5,521,330
Total liabilities	<u>5,754,564</u>	<u>379,627,455</u>	<u>4,523,173</u>	<u>395,226,309</u>
Deferred income:				
Unrealized profit on real estate sales	-	1,777,269	-	2,101,465
Deferred loan fees	-	1,524,560	-	1,688,140
Other deferred income	24,808	24,808	24,477	24,477
Total deferred income	<u>24,808</u>	<u>3,326,637</u>	<u>24,477</u>	<u>3,814,082</u>
Stockholders' equity:				
Common stock \$1 par value per share. Authorized 2,500,000 shares; issued 2,050,118 shares in 1970 (1,952,493 in 1969) (notes 5 and 7)	2,050,118	2,050,118	1,952,493	1,952,493
Capital surplus:				
Paid in (note 1)	-	-	-	-
Arising from stock dividends (note 5)	22,419,080	22,419,080	20,637,424	20,637,424
	<u>22,419,080</u>	<u>22,419,080</u>	<u>20,637,424</u>	<u>20,637,424</u>
Retained earnings:				
Appropriated to general reserves (notes 4 and 6)	40,890,000	40,890,000	40,200,000	40,200,000
Unappropriated (note 4)	14,467,515	14,467,515	12,108,932	12,108,932
Less stock dividends at market value (note 5)	(23,269,177)	(23,269,177)	(21,389,896)	(21,389,896)
	<u>32,088,338</u>	<u>32,088,338</u>	<u>30,919,036</u>	<u>30,919,036</u>
Total stockholders' equity	<u>56,557,536</u>	<u>56,557,536</u>	<u>53,508,953</u>	<u>53,508,953</u>
	<u>\$ 62,336,908</u>	<u>439,511,628</u>	<u>58,056,603</u>	<u>452,549,344</u>

See accompanying notes to consolidated financial statements.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Statement of Earnings

Two years ended December 31, 1970

	1970		1969	
	Company	Consolidated	Company	Consolidated
Income:				
Interest on loans	\$ 10,419	25,866,007	10,740	25,503,190
Loan fees	-	554,315	-	1,037,277
Interest and dividends on investments	255,987	1,886,668	213,864	1,348,481
Escrow and other fees	35,551	614,883	54,578	729,873
Operation and net gains and losses from sales of real property	-	1,165,958	(5,342)	1,059,156
Rental of office premises, net	312,465	312,465	283,051	283,061
Other income	11,356	32,893	9,739	138,910
	<u>625,778</u>	<u>30,433,189</u>	<u>556,140</u>	<u>30,699,948</u>
Expenses:				
General and administrative expenses	232,477	3,004,796	204,506	3,054,564
Interest on savings accounts	-	15,282,734	-	16,573,438
Other interest expense	218,058	6,965,476	220,600	3,731,867
	<u>450,535</u>	<u>25,353,006</u>	<u>425,106</u>	<u>23,359,869</u>
Earnings before taxes on income	<u>175,243</u>	<u>5,080,183</u>	<u>141,034</u>	<u>7,340,079</u>
Taxes on income (note 4):				
Current	105,100	1,125,600	77,200	1,287,200
Deferred	(30,000)	906,000	15,000	2,074,000
	<u>75,100</u>	<u>2,031,600</u>	<u>88,200</u>	<u>3,361,200</u>
	100,143	3,048,583	52,834	3,978,879
Net earnings of subsidiaries (Schedule XVII) (note 1)	<u>2,948,440</u>	-	<u>3,926,045</u>	-
Net earnings	<u>\$ 3,048,583</u>	<u>3,048,583</u>	<u>3,978,879</u>	<u>3,978,879</u>
Per share based on 2,050,118 shares outstanding (1969 earnings per share adjusted to reflect 1970 stock dividend) (note 5)	<u>\$ 1.49</u>	<u>1.49</u>	<u>1.94</u>	<u>1.94</u>

See accompanying notes to consolidated financial statements.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Statement of Stockholders' Equity

Two years ended December 31, 1970

	<u>1970</u>	<u>1969</u>
	<u>Company and Consolidated</u>	<u>Company and Consolidated</u>
Common stock (notes 5 and 7):		
Beginning of year	\$ 1,952,493	1,859,517
5% stock dividend	<u>97,625</u>	<u>92,976</u>
End of year	<u>2,050,118</u>	<u>1,952,493</u>
Capital surplus (note 5):		
Beginning of year, restated (note 1)	20,637,424	17,999,231
Excess of market value of stock dividend over par value of stock issued	<u>1,781,656</u>	<u>2,638,193</u>
End of year	<u>22,419,080</u>	<u>20,637,424</u>
Retained earnings:		
Appropriated to general reserves (notes 4 and 6):		
Beginning of year	40,200,000	41,900,000
Adjustments and transfers to unappropriated earnings	<u>690,000</u>	<u>(1,700,000)</u>
End of year	<u>40,890,000</u>	<u>40,200,000</u>
Unappropriated (note 4):		
Beginning of year	12,108,932	6,430,053
Adjustments and transfers from general reserves	<u>(690,000)</u>	<u>1,700,000</u>
Allocation of net earnings	<u>3,048,583</u>	<u>3,978,379</u>
End of year	<u>14,467,515</u>	<u>12,108,932</u>
Less stock dividends at market value (note 5):		
Beginning of year	(21,389,896)	(18,658,726)
Market value of stock dividend	<u>(1,879,281)</u>	<u>(2,731,170)</u>
End of year	<u>(23,269,177)</u>	<u>(21,389,896)</u>
	<u>32,088,338</u>	<u>30,919,036</u>
Total stockholders' equity	\$ <u>56,557,536</u>	<u>53,508,953</u>

See accompanying notes to consolidated financial statements.

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WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements

December 31, 1970

(1) Principles of Consolidation

The consolidated financial statements include the accounts of Wesco Financial Corporation (the Company), its wholly owned subsidiary, Mutual Savings and Loan Association (Mutual Savings) and the wholly owned subsidiaries of Mutual Savings, WSC Insurance Agency and Wes-Fin Service Corp. All material inter-company transactions have been eliminated.

The Company's capital surplus included in stockholders' equity and the investment in subsidiary at December 31, 1969 have been restated to reflect an adjustment in the amount of \$9,407,221 to conform with consolidated capital surplus. This amount is eliminated in consolidation.

(2) Loans Receivable

Loans receivable at December 31 are summarized as follows:

	1970		1969	
	Company	Consolidated	Company	Consolidated
Real estate loans on residential property of:				
One to four units (home loans)	\$ 159,931	306,475,944	127,880	312,694,600
More than four units	-	64,378,834	-	67,311,082
Real estate loans on other properties	-	9,804,798	-	13,604,796
	159,931	380,659,576	127,880	393,610,478
Loans on savings deposits	-	447,468	-	297,395
	<u>\$ 159,931</u>	<u>381,107,044</u>	<u>127,880</u>	<u>393,907,873</u>

(3) Notes Payable

Notes payable at December 31 are summarized as follows:

	1970		1969	
	Company	Consolidated	Company	Consolidated
Federal Home Loan Bank advances with various maturity dates through August 25, 1980 repayable in quarterly instalments of \$2,290,000 (which have been prepaid through October 31, 1972) and varying interest rates to 8-1/8%, secured by Federal Home Loan Bank stock and certain real estate loans	\$ -	77,584,381	-	76,830,000
6-3/4% note payable to bank due on demand, secured by certain United States Government obligations and certain other marketable securities	-	2,025,000	-	3,225,000
7-1/4% note payable to bank due on demand, secured by certain real estate loans	-	25,000	-	25,000
7% note payable to bank due February 1, 1971 secured by certain marketable securities	1,336,500	1,336,500	-	-
Sundry trust deed notes payable in varying instalments to November 1, 1993 and at varying interest rates to 5-1/4%, secured by certain real property	-	146,946	-	201,568
	<u>\$ 1,336,500</u>	<u>81,117,827</u>	<u>-</u>	<u>80,281,568</u>

WESCO FINANCIAL CORPORATION
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WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements, Continued

(4) Taxes on Income

Mutual Savings has qualified under provisions of the Internal Revenue Code which permit it to deduct from taxable income appropriations to tax qualifying loan reserves within certain limitations based on outstanding loans and the ratio of net worth to savings accounts.

At December 31, 1968 Mutual Savings had reached such limitations which in the absence of sufficient growth of both savings and loans, preclude further deductions from income for additions to tax qualifying loan reserves in arriving at Federal taxes on income. The effective tax rate as compared to earnings before taxes is less than the maximum, since gains on the sale of foreclosed real estate and municipal bond interest are not taxable.

Appropriated retained earnings at December 31, 1970 include approximately \$41,700,000 (before elimination of \$810,000 in consolidation) of tax reserves for which no provision for Federal income taxes has been made. If in the future these appropriations are used for any purpose other than to absorb bad debt losses, Federal income taxes will be imposed at the then applicable rates.

Deferred income taxes have been provided on income reported for financial statement purposes but deferred in the Association's income tax returns. Timing differences consist primarily of deferred loan fees, interest on the FSLIC secondary reserve prepayment and accrued interest receivable.

Federal income tax returns of the Company and Mutual Savings for 1967 and subsequent years are subject to examination by the United States Treasury Department.

Income taxes consist of the following:

	1970		1969	
	Company	Consolidated	Company	Consolidated
Federal income tax	\$ 62,000	1,609,000	80,000	2,622,000
California franchise tax	13,100	222,600	8,200	739,200
	\$ 75,100	2,031,600	88,200	3,361,200

(5) Dividends

On January 26, 1971 the Board of Directors declared a 5% stock dividend payable April 6, 1971 to stockholders of record on March 3, 1971. Upon payment of the dividend, the fair market value of the stock as of January 26, 1971 will be charged to market value of stock dividends, common stock will be credited with an amount equal to the par value of the shares issued, and capital surplus will be credited with an amount representing the excess of the fair market value over par value.

(6) Reserve Requirements

The Federal Savings and Loan Insurance Corporation, in connection with the insurance of savings accounts, requires savings and loan associations to maintain certain reserves which may be used only for the purpose of absorbing losses. In addition, associations must maintain certain reserves under California law. Such reserve requirements were met by Mutual Savings as of December 31, 1970 and 1969.

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements, Continued

(7) Stock Option Plan

The Company has a Qualified Stock Option Plan (formerly a Restricted Stock Option Plan, amended to conform to the Internal Revenue Code requirements for qualified plans) under which options may be granted to purchase 81,441 shares (75,563 shares in 1969) of the Company's common stock (after adjustments pursuant to the antidilution provisions of the plan to reflect the stock dividend payable April 6, 1971 - see note 5) at a price at least equivalent to the market value of the shares on the date the options are granted. Under former provisions, options to purchase 37,856 shares at prices ranging from \$21.49 to \$42.36 per share were granted and are exercisable in instalments over a 5-1/2 to 10-year period. At December 31, 1970, 32,378 shares were exercisable. Options granted under the qualified plan must be exercised within 5 years from the date granted, and may not be exercised if an option holder has outstanding options previously granted to him at a higher option price. No options have been granted under the qualified plan.

Options under grant at December 31, 1970 and 1969 are summarized as follows:

Year of grant	Number of shares under option	Average option price and market value at date of grant	
		Per share	Total
1961	27,691	\$ 30.08	833,000
1962	8,687	24.01	208,600
1963	1,478	29.44	43,500
	<u>37,856</u>		<u>\$ 1,085,100</u>

Options which became exercisable during 1970 and 1969 are summarized as follows:

Year became exercisable	Number of shares for which options	Average option price		Average market value on date options became exercisable	
		Per share	Total	Per share	Total
1969	<u>3,605</u>	\$ <u>30.10</u>	<u>108,510</u>	<u>27.06</u>	<u>97,551</u>
1970	<u>5,415</u>	\$ <u>26.51</u>	<u>143,552</u>	<u>15.27</u>	<u>82,687</u>

Upon exercise of the options, capital stock will be credited for the par value of the shares and capital surplus credited for the amount of cash received in excess of par value. No charges will be made against income.

(8) Retirement Plan

A non-contributory retirement plan is in effect for all eligible employees of the Company, Mutual Savings and WSC. Employer contributions are computed utilizing the aggregate cost funding method. The contribution for the current year approximated \$61,900 (\$60,000 in 1969). The actuarially computed value of vested benefits as of December 31, 1970 did not exceed the value of the retirement fund at that date. The plan may be amended at any time to give effect to a reduction of contributions and provides that the employer "shall have no liability to any employee or participant to make any contributions whatsoever to the trust or to or for any participant."

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WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Notes to Consolidated Financial Statements, Continued

(9) Property and Equipment

Property and equipment is summarized as follows:

	1970		1969	
	Company	Consolidated	Company	Consolidated
Land	\$ 1,498,817	1,622,313	1,498,917	1,622,413
Buildings and improvements	4,629,380	4,854,698	4,624,452	4,849,770
Furniture, fixtures and equipment	5,628	718,329	5,628	691,651
Leasehold improvements		251,609	-	251,609
	<u>6,133,825</u>	<u>7,446,949</u>	<u>6,128,997</u>	<u>7,415,443</u>
Accumulated depreciation and amortization	1,291,111	2,092,837	1,091,010	1,823,241
	<u>\$ 4,842,714</u>	<u>5,354,112</u>	<u>5,037,987</u>	<u>5,592,202</u>

Property and equipment is depreciated on a straight-line basis, over the estimated useful lives of the various classes of assets from the respective dates of acquisition. The useful lives used for the principal classes of assets are:

Buildings and improvements	10 to 45 years
Furniture, fixtures and equipment	10 years
Leasehold improvements	Life of lease

Maintenance and repairs are charged to appropriate expense accounts in the year incurred; renewals and material betterments are charged to property accounts.

Cost and accumulated depreciation and amortization applicable to assets retired or otherwise disposed of are eliminated from the related accounts and the profit or loss on disposition is credited or charged to earnings.

(10) Supplementary Profit and Loss Information

The following amounts have been charged to expenses in the statement of operations:

	1970		1969	
	Company	Consolidated	Company	Consolidated
Maintenance and repairs	\$ 217,706	247,891	212,191	252,145
Depreciation and amortization:				
Property and equipment (Schedule VI)	200,101	289,336	198,870	295,949
Properties acquired through foreclosure and held for sale	-	-	-	55,667
Taxes other than taxes on income:				
Payroll taxes	2,866	57,641	3,309	61,467
Property taxes	179,365	443,891	156,694	395,579
Other taxes	5,088	5,088	4,419	4,559

Exhibit 1

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Statement of Source and Application of Funds

Two years ended December 31, 1970

	1970		1969	
	Company	Consolidated	Company	Consolidated
Funds provided:				
Net earnings	\$ 3,048,583	3,048,583	3,978,879	3,978,879
Decrease in loans receivable	-	10,151,173	28,678	-
Reduction in foreclosed property	-	329,136	-	3,553,171
Reduction in investment properties	-	-	1,483	-
Depreciation	200,101	289,336	198,870	351,616
Decrease in prepaid FSLIC secondary reserve	-	415,188	-	-
Increase in Federal Home Loan Bank advances and bank borrowings	1,336,500	836,259	-	40,096,854
Increase in current taxes payable	3,100	-	-	150,615
Increase in deferred tax credits	-	1,037,000	72,800	2,263,000
Decrease in cash	321,796	82,910	-	6,976,539
Other - net	304,153	394,414	56,596	170,437
	<u>\$ 5,214,233</u>	<u>16,583,999</u>	<u>4,337,306</u>	<u>57,541,111</u>
Funds used:				
Decrease in savings deposits	\$ -	15,159,858	-	35,916,857
Increase in loans receivable	32,051	-	-	14,362,406
Increase in investment securities	1,911,883	162,121	111,769	406,693
Increase in investment properties	-	259,063	-	2,450,508
Increase in Federal Home Loan Bank stock	-	539,500	-	3,012,800
Increase in prepaid FSLIC secondary reserve	-	-	-	235,705
Decrease in accrued interest payable	-	152,531	-	839,793
Decrease in loan payable to Mutual Savings	211,297	-	183,764	-
Decrease in current taxes payable	-	199,141	3,800	-
Decrease in deferred tax credits	36,047	-	-	-
Increase in investment in subsidiary	2,948,440	-	3,926,045	-
Increase in cash	74,515	111,785	29,409	-
Other - net	74,515	111,785	82,519	316,349
	<u>\$ 5,214,233</u>	<u>16,583,999</u>	<u>4,337,306</u>	<u>57,541,111</u>

Schedule III

WESCO FINANCIAL CORPORATION
Investments in Securities of Affiliate
Two years ended December 31, 1970

Name of issuer and title of issue	Balance at beginning of period		Additions		Deductions		Balance of close of period	
	Number of shares	Amount in dollars	Number of shares	Amount in dollars	Number of shares	Amount in dollars	Number of shares	Amount in dollars
Mutual Savings and Loan Association - guarantee stock:								
1969	600	\$ 44,574,066(2)	-	\$ 3,926,045(1)	-	\$ -	600	\$ 48,500,111
1970	600	\$ 48,500,111	-	\$ 2,948,440(1)	-	\$ -	600	\$ 51,448,551

- (1) Net earnings of subsidiary.
(2) See note 1 to consolidated financial statements.

Schedule V

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

Property, Plant and Equipment

Two years ended December 31, 1970

<u>Classification</u>	<u>Balance at beginning of period</u>	<u>Additions at cost</u>	<u>Retirements or sales</u>	<u>Other changes</u>	<u>Balance at close of period</u>
1969					
Company:					
Land	\$ 1,498,917	-	-	-	1,498,917
Buildings and improvements	4,620,410	4,042	-	-	4,624,452
Furniture, fixtures and equipment	5,628	-	-	-	5,628
	<u>\$ 6,124,955</u>	<u>4,042</u>	<u>-</u>	<u>-</u>	<u>6,128,997</u>
Consolidated:					
Land	\$ 1,622,413	-	-	-	1,622,413
Buildings and improvements	4,845,227	4,543	-	-	4,849,770
Furniture, fixtures and equipment	688,274	14,170	10,793	-	691,651
Leasehold improvements	243,427	8,182	-	-	251,609
	<u>\$ 7,399,341</u>	<u>26,895</u>	<u>10,793</u>	<u>-</u>	<u>7,415,443</u>
1970					
Company:					
Land	\$ 1,498,917	-	100	-	1,498,817
Buildings and improvements	4,624,452	4,928	-	-	4,629,380
Furniture, fixtures and equipment	5,628	-	-	-	5,628
	<u>\$ 6,128,997</u>	<u>4,928</u>	<u>100</u>	<u>-</u>	<u>6,133,825</u>
Consolidated:					
Land	\$ 1,622,413	-	100	-	1,622,313
Buildings and improvements	4,849,770	4,928	-	-	4,854,698
Furniture, fixtures and equipment	691,651	46,419	19,741	-	718,329
Leasehold improvements	251,609	-	-	-	251,609
	<u>\$ 7,415,443</u>	<u>51,347</u>	<u>19,841</u>	<u>-</u>	<u>7,446,949</u>

Schedule VI

WESCO FINANCIAL CORPORATION
and
WESCO FINANCIAL CORPORATION AND SUBSIDIARIES, CONSOLIDATED

**Reserves for Depreciation and Amortization
of Property, Plant and Equipment**

Two years ended December 31, 1970

<u>Classification</u>	<u>Balance at beginning of period</u>	<u>Additions</u>		<u>Deductions</u>		<u>Balance at close of period</u>
		<u>Charged to profit and loss</u>	<u>Other</u>	<u>Retirements, renewals, replacements</u>	<u>Other</u>	
<u>1969</u>						
Company:						
Buildings and improvements	\$ 889,242	198,415	-	-	-	\$ 1,087,657
Furniture, fix- tures and equipment	2,898	455	-	-	-	3,353
	<u>\$ 892,140</u>	<u>198,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,091,010</u>
Consolidated:						
Buildings and improvements	\$ 974,041	208,096	-	-	-	\$ 1,182,137
Furniture, fix- tures and equipment	503,325	73,305	-	7,530	2,997	566,103
Leasehold im- provements	60,453	14,548	-	-	-	75,001
	<u>\$ 1,537,819</u>	<u>295,949</u>	<u>-</u>	<u>7,530</u>	<u>2,997</u>	<u>\$ 1,823,241</u>
<u>1970</u>						
Company:						
Buildings and improvements	\$ 1,087,657	199,646	-	-	-	\$ 1,287,303
Furniture, fix- tures and equipment	3,353	455	-	-	-	3,808
	<u>\$ 1,091,010</u>	<u>200,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,291,111</u>
Consolidated:						
Buildings and improvements	\$ 1,182,137	209,378	-	-	-	\$ 1,391,515
Furniture, fix- tures and equipment	566,103	64,070	-	19,740	-	610,433
Leasehold im- provements	75,001	15,888	-	-	-	90,889
	<u>\$ 1,823,241</u>	<u>289,336</u>	<u>-</u>	<u>19,740</u>	<u>-</u>	<u>\$ 2,092,537</u>

WESCO FINANCIAL CORPORATION

Income from Dividends - Equity in
Net Profit and Loss of Affiliate

Two years ended December 31, 1970

Name of issuer and title of issue	Amount of dividends		Total of related captions of profit and loss or income statement	Amount of equity in net profit and loss for the period
	Cash	Other		
Mutual Savings and Loan Association guarantee stock, year ended:				
December 31, 1969	\$ -	-	-	3,926,045
December 31, 1970	\$ -	-	-	2,948,440