WESCO FINANCIAL CORP

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K 405

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

For the fiscal year ended December 31, 1992 — 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)	91101-1954 (Zip Code)

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Registrant's telephone number, including area code: (818) 449-2345

DISCLOSURE INCORPORATED

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

Title of each class	Name of each exchange on which registered
Capital Stock, $1 par value	American Stock Exchange and Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 twelve months and (2) has been subject to such filing requirements for the past 90 days. YES...X ...NO......

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

The aggregate market value of voting stock of the registrant held by non-affiliates of the registrant as of March 15, 1993 was: $116,148,000.

The number of shares outstanding of the registrant's Capital Stock as of March 15, 1993 was: 7,119,807.

DOCUMENTS INCORPORATED BY REFERENCE

Title of Document	Parts of Form 10-K
Proxy Statement for 1993 Annual Meeting of Shareholders	Part III, Items 10, 11, 12 and 13

Page 1 - 8 not used

PART I

Item 1. Business

GENERAL

Wesco Financial Corporation ("Wesco") was incorporated in Delaware on March 19, 1959. The principal businesses of Wesco, conducted by wholly owned subsidiaries, are the savings and loan business, through Mutual Savings and Loan Association ("Mutual Savings"), which was incorporated in California in 1925, the property and casualty insurance business, through Wesco-Financial Insurance Company ("Wes-FIC"), which was incorporated in 1985, and the steel service center business, through Precision Steel Warehouse, Inc. ("Precision Steel"), which was begun in 1940 and acquired by Wesco in 1979. Wesco's operations also include the manufacture of electrical equipment through New America Electrical Corporation ("New America Electric"), which was organized in 1982, and which has been 80%-owned by Wesco since December 1988. In addition, Wesco has investments in real estate and securities, and owns a small insurance agency.

Since 1973, Wesco has been 80.1%-owned by Blue Chip Stamps (or its predecessor by the same name), a wholly owned subsidiary of Berkshire Hathaway Inc. ("Berkshire"). Wesco and its subsidiaries are thus controlled by Blue Chip Stamps and Berkshire. All of these companies may also be deemed to be controlled by Warren E. Buffett, who is Berkshire's chairman and chief executive officer and owner of 41.6% of its stock.

Wesco's activities fall into three business segments — financial, insurance, and industrial. The financial segment includes (a) the savings and loan business, (b) operation of a business block in Pasadena, California, and (c) investments, principally in common and preferred stocks. The insurance segment comprises the property and casualty insurance business. The industrial segment includes steel service center operations and the manufacture and sale of various commercial and residential electrical products. The amounts of revenue, operating profit and identifiable assets attributable to each of these three business segments are included in Note 11 to Wesco's consolidated financial statements contained in Item 8, Financial Statements.

FINANCIAL SEGMENT

The savings and loan business has been a difficult business since the late 1970s. Until relatively recently, institutions with substantial amounts of long-term, low-yielding mortgage loans on their books, funded by short-term borrowings from depositors, saw their cost of funds increase dramatically. The increase in cost of funds was due both to prevailing interest rates at levels much higher than had once been thought normal, and to fundamental changes occurring in the savings and loan industry. As a result of changes in federal regulations affecting savings and loan associations (and other depository institutions such as banks), regulations limiting rate competition for depositors' accounts were eliminated in the mid 1980s. Other regulations and regulatory attitudes were modified to enable savings and loan associations and banks to compete more directly with each other and with other financial institutions and money-market funds in providing a wide variety of consumer financial services, including lending. In the early 1980s, most savings and loans suffered operating losses, and, although many have more recently earned profits principally as a result of the moderation of interest rates, hundreds of others, many insolvent and garnering wide publicity, in 1987, drove the Federal Savings and Loan Insurance Corporation ("FSLIC"), the federal agency then insuring savings deposits, into insolvency. (Subsequently, savings deposits in savings and loan associations, including Mutual Savings, have been insured by the Savings Association Insurance Fund, an affiliate of the Federal Deposit Insurance Corporation formed at that time.) Changes in the statutory and regulatory framework were enacted in August 1989 when President Bush, reiterating that the full faith and credit of the U.S. government would continue to back deposit insurance, signed into law the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA").

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Mutual Savings, which has retained its financial strength and is not expected to burden the insurance fund, anticipated the pre-FIRREA changes in the savings and loan business by substantially reducing the size and scope of its business and altering the nature of its business activities as it pondered an operating plan that would provide a socially constructive service while operating with acceptable profits accompanied by an acceptable level of risk. Mutual Savings took the following steps:

- In 1979, it substantially curtailed its real estate loan originations because of the high cost of savings deposits, the reduction in net savings inflow, and uncertainty as to the future direction of loan interest rates.
- In 1980, it sold fifteen offices in Southern California (retaining only its Pasadena headquarters office and a satellite office in a shopping mall across the street) and approximately $307 million of net branch savings accounts together with an equal book value of its highest-yielding mortgage loans to another association.
- In 1986, it resumed real estate lending in Southern California, offering a fully adjustable-rate mortgage loan. Loans made under this program beginning in late 1987 had a 25% interest-rate cap. These loans yield about 2% above the rate available from one-year U.S. Treasury notes. Approximately $100 million was lent under this program before lending was discontinued approximately at 1992 yearend.
- In 1988, it added approximately $65 million to a previous investment in common stock of Federal Home Loan Mortgage Corporation ("Freddie Mac"); the total investment of about $72 million represents 4% of the total shares outstanding, the legal limit for any one holder when the investment was made. Freddie Mac supports housing primarily by purchasing mortgage loans for immediate transmutation into mortgage-backed securities that it guarantees and promptly sells. The 1992 yearend trading value on the New York Stock Exchange of Mutual Savings' Freddie Mac shares was $348 million. Thus, based on 1992 yearend trading prices, Mutual Savings had an unrealized pre-tax profit in Freddie Mac shares of $276.6 million. At current tax rates, the potential after-tax profit was about $162 million as of that date.
- From 1990 to 1992, it offered fixed-rate first-mortgage loans to qualified borrowers of low-to-moderate income living within its local community. The loans bore slightly below-market interest rates, were pegged to Freddie Mac standards (e.g., a maximum loan amount of approximately $202,000 at 1992 yearend) and required borrower equities of at least 20% of property values. Mutual Savings designed and instituted this program under an agreement with regulatory authorities, who have been increasing pressure on financial institutions to increase lending to less-advantaged homeowners. The program generated about $15 million in loans before being replaced by an even more liberal version that was tested in late 1992.
- In 1991, it invested approximately $125 million in high-quality, rapidly repaying mortgage-backed securities collateralized by pools of loans backed by Freddie Mac, Federal National Mortgage Association and Government National Mortgage Association, following a similar investment of approximately $51 million in 1987. These fixed-rate mortgage securities have been significantly repaid, leaving a balance of about $69 million as of 1992 yearend, at a combined yield of 6.4%.

Mutual Savings ranks approximately 50th among California's savings and loan associations and 400th nationally in assets at the end of 1992.

Mutual Savings' entire portfolio of housing-related assets is believed to present almost no risk of significant loss. (See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.)

FIRREA, the latest of several attempts to rejuvenate the ailing savings and loan industry and shore up its deposit-insurance fund, has been described as the most significant banking legislation since the 1930s.

Although Mutual Savings complies with the current requirements of FIRREA (at 1992 yearend, its book net worth amounted to 15.0% of assets, and its risk-weighted capital amounted to 9.1% of risk-weighted assets, compared to federal requirements of 3% and 8.0%, respectively), as certain of the FIRREA regulations have become effective, various changes in Mutual Savings' operations have been made or will be required, most notably:

- Prodded by FIRREA, all $41 million of Mutual Savings' public utility preferred stocks were sold in mid-1991, and all $26 million of Mutual Savings' service corporation subsidiary's investment in convertible preferred stock of Salomon Inc was transferred to another of Wesco's wholly owned subsidiaries at cost in December 1990 and May 1991. These investments provided substantial earnings advantage to Mutual Savings because their high dividend yield (10.1% combined) was taxed at a much lower rate than the rate charged on interest-bearing investments allowed under FIRREA. Ignoring the one-time earnings benefit resulting from the $5.6 million gain on sales of these investments, Mutual Savings would have been required to invest the sales proceeds of $73 million in high-quality interest-bearing investments yielding 13.4% per annum indefinitely merely to break even. As a point of reference, Mutual Savings was earning only 2.75% at 1992 yearend on its overnight Fed Funds investments.

- In Wesco's 1990 annual report it was reported that FIRREA required, beginning July 1, 1991, that savings and loan associations such as Mutual Savings maintain a larger proportion of their assets in a more restrictive list of housing-related assets than regulations then permitted, and that Mutual Savings' investment in common stock of Freddie Mac at cost of approximately $72 million would no longer qualify as a housing-related asset under FIRREA as of that date, notwithstanding its continued qualification in a similar asset test for federal income tax purposes. In anticipation of the new restrictions, Mutual Savings, prior to July 1, 1991, liquidated its Wes-Fin Service Corp. subsidiary and increased its investment in high-quality, rapidly liquidating mortgage-backed securities by approximately $117 million. Subsequently, in December 1991, President Bush signed the Federal Deposit Insurance Corporation Improvement Act ("FDICIA"), which liberalized the regulatory list of qualifying housing-related assets and provided a formula under which each institution could compute its unique regulatory requirement. The calculation is essentially dependent on each association's size in terms of total assets and asset mix, and typically varies as of each balance sheet date.

- Under FDICIA, approximately $60 million, at cost, of Mutual Savings' investment in Freddie Mac stock was considered a qualifying housing-related asset for regulatory purposes as of 1992 yearend. FDICIA, however, left unchanged the FIRREA requirement that Mutual Savings write down to zero, in stages, the entire $72 million cost of its investment in Freddie Mac common stock (1992 yearend market value $348 million) in computing its regulatory net worth. The regulatory writedown, which does not affect book net income *per se*, is currently 40% of Mutual Savings' investment in Freddie Mac stock; it is scheduled to increase to 60% on July 1, 1993 and 100% on July 1, 1994. However, regulations have been proposed that would no longer require any such regulatory writedown. Also, as explained on page 13, Mutual Savings plans to give up its status as a regulated savings and loan association with the result that FIRREA and FDICIA will no longer apply. If neither further relaxation in the regulations nor Mutual Savings' withdrawal from savings and loan regulation has become effective by July 1, 1993, Mutual Savings will probably not be able to absorb the 60% writedown scheduled to take effect on that date and still comply with regulatory net worth requirements (essentially that it maintain net worth equal to at least 8% of risk-weighted assets after any such writedown), and will look to Wesco for an additional contribution to its capital.

- Mutual Savings, like other savings and loans, has been assessed at ever-increasing premium rates for deposit insurance. However, at the time the FSLIC deposit-insurance fund was declared insolvent in 1987, the Federal Home Loan Bank eliminated the so-called secondary insurance reserve, and the amounts confiscated ($1.9 million after taxes, in Mutual Savings'

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case) are being slowly credited back against deposit-insurance assessments, with the result that Mutual Savings' after-tax earnings were increased by $1,257,000 through 1992 yearend, including $218,000 in 1992, $273,000 in 1991 and $341,000 in 1990. The unused balance will likely prove to be of little value to Mutual Savings beyond the $192,000 credited for the first six months of 1993.

- Mutual Savings is subject to supervision by more regulatory entities than previously. The amount of nonproductive time and effort spent by management and other employees, previously substantial, has increased accordingly.

- FIRREA generally prohibits a savings and loan association from investing directly in real estate. Mutual Savings is developing 32 residential parcels of largely oceanfront land in Santa Barbara, California, which was acquired by foreclosure in 1966. After many years' delay in obtaining numerous approvals and building permits, Mutual Savings has been proceeding with construction and sale of completed townhouses and lots as quickly as can be responsibly done without violating evolving local building restrictions. Although Mutual Savings is making every reasonable effort to complete divestiture of the project by June 30, 1993, as required by the FDIC, the Association plans to submit an application to the FDIC for approval of an extension of time for divestiture to allow for completion of the transactions described immediately below. Management cannot predict whether the application will receive favorable FDIC consideration, or how great the financial detriment might be if Mutual Savings were required to divest the project prematurely. The property is carried at cost of approximately $20 million at 1992 yearend.

- Management has decided that Mutual Savings will shortly give up its status as a regulated savings and loan association. The decision was prompted, in part, by regulatory insistence that Mutual Savings make additional changes in its business above and beyond those previously made. Management believes such additional changes, if implemented, would further increase operating expenses, and possibly narrow the spread between interest income and interest expense, thereby resulting in an unacceptable return to its owners. To achieve its objective, Mutual Savings is negotiating to sell to another financial institution, subject to regulatory approval, the leaseholds and related tangible personal property necessary to operate Mutual Savings' deposit-gathering offices. It is expected that the buyer will assume Mutual Savings' savings account liabilities, offset substantially by real estate loans, leasehold improvements and cash. The transaction is expected to result in a modest after-tax gain measured from a point after the unusual income tax charge of $17[illegible] million from bad debt reserve recapture in 1992; this charge was required to be recorded at 1992 yearend on about $47 million of Mutual Savings' net worth that had previously been exempt but would ultimately become taxable upon Mutual Savings' relinquishment of its regulated savings and loan status.

  At roughly the same time as the closing of the transaction described above, Mutual Savings expects to transfer its real estate (including but not limited to its Santa Barbara seaside property) to a newly formed Wesco subsidiary, which will thereafter manage the real estate, complete construction of the seaside development, and make such dispositions as seem appropriate.

  After these transactions, Mutual Savings will retain a majority (at market value) of its former assets (consisting mostly of stock of Freddie Mac and indirect loans in the form of securitized mortgages). Mutual Savings will then be merged into Wes-FIC, which will thereafter continue the portion of Mutual Savings' business that in recent years has employed the majority of its assets. The continuation of this business, including investment in mortgages, will be regulated by the Nebraska Department of Insurance, replacing present federal and California regulators.

Compared with other associations, Mutual Savings is believed to have a higher ratio of shareholders' equity to total interest-bearing liabilities, a much higher proportion of assets in short-term, interest-bearing cash equivalents, a much higher proportion of assets in Freddie Mac common stock (which provides a large income tax advantage), and a much higher proportion of net unrealized

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appreciation in value of assets above their aggregate net book value. (Attention is directed to Mutual Savings' condensed balance sheet appearing on page 48.)

Wesco, while it seeks suitable businesses to acquire or to expand its existing operations, invests in marketable securities, including common stocks of unaffiliated companies. (See Note 2 to the accompanying consolidated financial statements for a summary of these investments and Schedule I accompanying such statements for further information.) Wesco owns a business block in Pasadena, California, which includes the nine-story office building in which its headquarters and the main office of Mutual Savings are located, a multistory garage structure, and a parking lot across the street from the parking garage. The office building is nearly fully leased under agreements expiring at various dates to 1998.

Approximately 60 full-time employees are engaged in the savings and loan business and other financial segment activities.

INSURANCE SEGMENT

Wes-FIC was incorporated in 1985 to engage in the property and casualty insurance and reinsurance business. Wesco has contributed approximately $103 million to Wes-FIC's capital since Wes-FIC's date of incorporation.

In 1985, Wes-FIC entered into an arrangement whereby it reinsured — through a Berkshire Hathaway insurance company subsidiary, National Indemnity Company ("NICO"), as intermediary-without-profit — 2% of the entire book of insurance business of the long-established Fireman's Fund Insurance Companies ("Fireman's Fund"). Wes-FIC thus assumed the benefits and burdens of Fireman's Fund's prices, costs and losses under a contract covering all insurance premiums earned by Fireman's Fund during a four-year coverage period that expired on August 31, 1989. The arrangement put Wes-FIC in virtually the same position it would have been in if it, instead of Fireman's Fund, had directly written the business reinsured. Differences in results have occurred principally from the investment side of insurance, as Wes-FIC, instead of Fireman's Fund, has invested funds from "float" (funds set aside and invested pending payment of claims) generated. Wes-FIC will remain liable for its share of unpaid losses and loss expenses, which have been reflected on Wesco's balance sheet, and will continue to invest funds offset by loss reserves until runoff is complete, perhaps many years hence.

Effective January 1, 1990, Wes-FIC began to reinsure 50% of the book of workers' compensation insurance business of Cypress Insurance Company ("Cypress"), a wholly owned subsidiary of Berkshire Hathaway, under a contract patterned generally after that with Fireman's Fund. The contract was terminated effective December 31, 1991. As with the Fireman's Fund contract, Wes-FIC will remain liable for its share of unpaid losses and loss adjustment expenses, as well as policyholder dividends.

During 1992 Wes-FIC entered into another arrangement with NICO whereby NICO is retroceding to it 50% of certain personal lines reinsurance business it has assumed. The arrangement is continuous, but subject to termination upon ninety days prior written notice by either party. The premiums written and earned by Wes-FIC in 1992 as a result of this arrangement were approximately $24 million and $19 million, respectively.

Wes-FIC in 1988 began to write direct business, as distinguished from reinsurance. It is licensed in Nebraska, Utah and Iowa, and wrote $65,000 and earned $82,000 in direct premiums in 1992.

Insurance companies are subject to regulation by the departments of insurance of the various states in which they operate. Regulations relate to, among other things, capital requirements, shareholder and policyholders' dividend restrictions, reporting requirements, periodic regulatory examinations, and limitations on the size and types of investments that can be made.

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In recent years, financial failures in the insurance industry have received considerable attention from news media, regulatory authorities, rating agencies and Congress. As one result, industry participants and the public have been made more aware of the benefits derived from dealing with insurers whose financial resources support their promises, with significant margins of safety against adversity. In this respect Wes-FIC is competitively well positioned, inasmuch as its premiums written in 1992 amounted to approximately 7% of its statutory surplus compared to an industry average of about 140%, based on figures reported for 1991.

Wes-FIC expects to enter into the business of "super-catastrophe" reinsurance, through subcontracts with Berkshire Hathaway, later in 1993. Super-catastrophe reinsurance is the insurance that other insurance companies buy to protect themselves against major catastrophic losses. It is interested in other arrangements, including those similar to the Fireman's Fund contract, if attractive opportunities arise.

INDUSTRIAL SEGMENT

Precision Steel, acquired in 1979 for approximately $15 million, operates a well-established steel service center business in two locations: one in Franklin Park, Illinois, near Chicago; the other, operated by a wholly owned subsidiary, in Charlotte, North Carolina. The service centers buy low carbon sheet and strip steel, coated metals, spring steels, stainless steel, brass, phosphor bronze, aluminum and other metals, cut these metals to order, and sell them to a wide variety of customers.

The service center business is highly competitive. Precision Steel's annual sales volume of approximately 30 thousand tons compares with the steel service industry's annual volume of over 20 million tons. Precision Steel competes not only with other service centers but also with mills which supply metal to the service centers. Competition exists in the areas of price, quality, availability of products and speed of delivery. Because it is willing to sell in relatively small quantities, Precision Steel has been able to compete in geographic areas distant from its service center facilities. Competitive pressure is intensified by imports and by a tendency of domestic manufacturers to substitute less costly components for parts traditionally made of steel.

Precision Brand Products, Inc. ("Precision Brand"), a wholly owned subsidiary of Precision Steel, manufactures shim stock and other tool room specialty items, as well as hose and muffler clamps, and sells them under its own brand names nationwide, generally through industrial distributors. This business is highly competitive. Precision Brand's share of the toolroom specialty products market is believed to approximate 0.5%; statistics are not available with respect to its share of the market for hose and muffler clamps.

Steel service raw materials are obtained principally from major domestic steel mills, and their availability is considered good. Precision Steel's service centers maintain extensive inventories in order to meet customer demand for prompt deliveries. Typically, an order is filled and the processed metals delivered to the customer within two weeks. Precision Brand normally maintains inventories adequate to allow for off-the-shelf service to customers.

The steel service businesses are subject to economic cycles. These businesses are not dependent on a few large customers. Steel service backlog of orders increased to approximately $5.2 million as of December 31, 1992, from $4.8 million as of December 31, 1991.

Approximately 260 full-time employees are engaged in the steel service business, almost half of whom are members of unions. Management considers labor relations to be good.

New America Electric, 80%-owned by Wesco, was purchased just prior to 1988 yearend for about $8 million and is located in Anaheim, California. It manufactures electrical power distribution equipment including power outlets and service equipment used in recreational vehicle and mobile home park and marina applications, switches and other disconnects, residential load centers and circuit breakers, commercial metering equipment, and specialty roadway lighting products.

In 1991, New America Electric acquired the product line (including substantially all of the manufacturing, marketing and engineering assets) of The Wadsworth Electric Manufacturing Company, Inc. of Covington, Kentucky, and moved it to its own facilities in Anaheim, California. The transaction has significantly increased New America's access to eastern and midwestern markets.

New America Electric's principal raw materials are galvanized low- and medium-carbon steel, in sheets and coils; aluminum and copper busing and wire; a urea plastic compound and a silver composite contact for circuit breakers; various plastic materials for marina products; and various purchased parts including fuses, breakers, switches, transformers, receptacles and meters.

The steel and plastic are fabricated or molded into housings which are assembled with various purchased and fabricated parts into finished products. New America Electric fabricates its own ballasts and starters and holds a number of patents on these specialty roadway lighting products. It manufactures a limited range of proprietary circuit breakers used in residential load centers under the Wadsworth name, as well as other circuit breakers principally used in its own equipment or sold to other electrical manufacturers.

New America competes in several markets within the electrical equipment industry. In some, including markets for power outlets and specialty service equipment, marina equipment and roadway lighting products, its principal competitors are small and regional in focus. In other markets it competes with well-known, vertically integrated giants of the electrical industry. New America has generally achieved greater success where it has managed to avoid markets dominated by these large companies. However, even in smaller, less competitive markets, the company has encountered very much reduced demand due to the general economic malaise of the last three-odd years. Two traditional markets, namely mobile home equipment and roadway lighting, have been negatively impacted by a shift from the type of products New America Electric manufactures to alternative types of products it does not. In 1991, New America Electric withdrew from the highly competitive switchgear market, in which it was not able to compete profitably.

New America Electric's backlog of orders amounted to $0.8 million at December 31, 1992, versus $1.0 million one year earlier.

New America Electric employs approximately 100 full-time employees, approximately two-thirds of whom are union members. Management considers labor relations to be good.

Item 2. Properties

Wesco owns a business block in downtown Pasadena, California, which is improved with a nine-story office building that was constructed in 1964 and has approximately 125,000 square feet of net rentable area, as well as three commercial store buildings and a multistory garage with space for 425 automobiles. Approximately 22,000 square feet of the office building are used by Wesco as its headquarters or leased to Mutual Savings for use as its main office, while the balance is leased to outside parties under agreements expiring at various dates to 1998. Wesco also owns a parking lot with space for approximately 100 automobiles across the street from its multistory garage. Mutual Savings leases its 1,700-square-foot satellite office in the Plaza Pasadena shopping center located across the street from its main office; this lease expires in 1995 and may be extended under a five-year option. As explained in Item 1, Business, Mutual Savings has decided to sell the leaseholds and tangible personal property related to its two deposit-gathering offices in 1993.

Wes-FIC uses as its place of business the Omaha, Nebraska headquarters office of National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., Wes-FIC's ultimate parent.

Mutual Savings holds real estate which has been acquired through foreclosure. The most valuable parcel consists of 22 acres of largely oceanfront land near Santa Barbara, California, acquired in 1966, where a luxury development consisting of 20 townhomes and 12 residential lots is presently under construction, with several sales having been recorded to date. (See comments on regulatory matters on pages 12 and 13 hereof.) Other properties include several buildings in a small shopping center in

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Upland, California, which are leased to various small businesses, and two single-family residences, one on 4½ acres in Camarillo, California, and another in Malibu, California, presently listed for sale.

Precision Steel and its subsidiaries own three buildings housing their plant and office facilities, having usable area approximately as follows: 138,000 square feet in Franklin Park, Illinois; 63,000 square feet in Charlotte, North Carolina; and 59,000 square feet in Downers Grove, Illinois.

New America Electric's production, principal warehousing and office facilities are situated in an 83,200-square-foot building, which it leases in Anaheim, California. The lease expires in October 1994 and may be extended under a five-year option. New America also leases 16,700 square feet of warehousing space in a 99,000-square-foot-facility in Erlinger, Kentucky, under a lease which expires in September 1994. It has an option to renew the lease for 5 additional years.

Item 3. Legal Proceedings

Wesco and its subsidiaries are not involved in any legal proceedings which are expected to result in material loss.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of Wesco's shareholders subsequent to the annual meeting held in April 1992.

PART II

Item 5. Market for the Registrant's Capital Stock and Related Stockholder Matters

Wesco's common stock is traded on the American Stock Exchange and the Pacific Stock Exchange.

The following table sets forth the ranges of stock prices reported in *The Wall Street Journal* for Wesco's shares trading on the American Stock Exchange, by quarter, for 1992 and 1991, as well as cash dividends paid by Wesco on each outstanding share:

	1992				1991		
	Sales Price				Sales Price		
Quarter Ended	High	Low	Dividends Paid	Quarter Ended	High	Low	Dividends Paid
March 31	$71⅞	$66⅜	$0.225	March 31	$56⅜	$46½	$0.215
June 30	71⅝	67¼	0.225	June 30	57¾	54	0.215
September 30	71	67	0.225	September 30	60	53⅞	0.215
December 31	83⅞	68⅜	0.225	December 31	72⅜	59½	0.215
			$0.90				$0.86

There were approximately 900 shareholders of record of Wesco's capital stock as of the close of business on March 15, 1993.

Item 6. Selected Financial Data

Set forth below and on the following pages are selected consolidated financial data for Wesco and its subsidiaries. For additional financial information, attention is directed to Wesco's audited 1992 consolidated financial statements appearing elsewhere in this report. (Dollar amounts are in thousands except for amounts per share.)

	Year Ended December 31,				
	1992	1991	1990	1989	1988
Revenues:					
Interest on loans and mortgage-backed securities	$ 16,688	$ 15,196	$ 13,183	$ 12,204	$ 11,248
Insurance premiums earned	19,587	5,307	2,003	37,959	62,465
Sales and service revenues	65,438	65,341	65,174	68,691	62,694
Interest and dividends on investments	28,186	34,477	40,008	38,232	38,177
Gains, net, on sales of securities and foreclosed property	105	10,714	593	8,972	9,952
Other	1,811	1,811	1,680	2,337	1,677
	131,815	132,846	122,641	168,395	186,213
Costs and expenses:					
Interest on savings accounts	11,986	18,311	21,975	21,261	20,579
Insurance losses and expenses	20,779	6,685	3,759	40,702	65,938
Cost of products and services sold	52,491	53,462	52,286	55,567	50,674
Selling, general and administrative	15,813	14,986	14,073	13,741	11,033
Interest on notes payable	4,872	4,773	4,758	3,939	3,051
	105,941	98,217	96,851	135,210	151,275
Income before income taxes	25,874	34,629	25,790	33,185	34,938
Income tax provision	(20,873)	(5,107)	(361)	(2,851)	(4,849)
Net income	$ 5,001	$ 29,522	$ 25,429	$ 30,334	$ 30,089
Amounts per share:					
Net income	$.70	$4.15	$3.57	$4.26	$4.22
Cash dividends	$.90	$ .86	$ .82	$ .78	$ .74

	December 31,				
	1992	1991	1990	1989	1988
Assets:					
Cash and temporary cash investments	$123,705	$ 41,849	$ 84,020	$ 55,096	$ 42,703
Investments:					
Securities with fixed maturities —					
Mortgage-backed securities	68,933	129,510	23,727	34,315	45,367
Other	167,580	210,479	269,493	291,097	309,026
Marketable equity securities	331,770	320,819	205,091	188,211	151,720
Real estate loans receivable	101,891	100,876	107,382	119,448	91,640
Total assets	864,959	871,129	744,081	737,505	706,264
Liabilities:					
Savings accounts	$250,612	$286,904	$286,093	$291,592	$286,909
Insurance losses and expenses	61,526	60,252	71,405	91,151	95,585
Notes payable	55,119	55,429	55,726	56,011	31,786
Total liabilities	453,245	464,766	435,103	456,009	467,676
Shareholders' equity	$411,714	$406,363	$308,978	$281,496	$238,588
Per share	$57.83	$57.07	$43.40	$39.54	$33.51

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

The financial condition of Wesco Financial Corporation ("Wesco") continues to be very sound. Wesco and its subsidiaries are believed to have not only capital resources for all operational needs, but above-normal liquidity in each of the industries in which they operate. Business operations of the various enterprises have continued to provide a positive cash flow, and earnings have been principally retained and reinvested.

The various investments owned by Wesco and its subsidiaries had an aggregate market value at 1992 yearend that was about $286 million higher than their carrying value in the consolidated balance sheet. Most of the unrecorded appreciation related to a large investment in Federal Home Loan Mortgage Corporation ("Freddie Mac") common stock presently owned by its Mutual Savings and Loan Association ("Mutual Savings") subsidiary.

Borrowings from banks and others have been available to Wesco and its subsidiaries under increasingly attractive terms. In October 1989, in connection with a $30 million Wesco note offering, Standard and Poor's Corporation issued a credit rating of Wesco debt of AA+. After Wesco gives up its status as a savings and loan holding company (see Item 1, Business), Wesco hopes that its borrowings will elicit the highest possible credit rating, AAA.

A key component of a savings and loan association's earnings is its net interest income, the spread between the yield earned on its assets and the cost of its liabilities. Its dependable generation not only requires the management of yields, costs and maturities of assets and liabilities, but also a limitation, consistent with the ratio of net worth to total interest-bearing liabilities, on the margin, or "gap," between interest-sensitive assets and interest-sensitive liabilities. Regulatory policies require that savings and loan associations monitor this gap and structure maturities of assets and liabilities with a view toward minimizing interest rate risk. The table below sets forth Mutual Savings' major risk-sensitive assets and liabilities as of December 31, 1992, and net gaps as of the last three yearends (in thousands):

Gap Analysis

	Amounts Subject to Repricing[1]					
Balance Sheet Category	**Within 6 Months**	**Within 1 Year**	**Within 3 Years**	**Within 5 Years**	**Within 10 Years**	**Total**
Rate-sensitive assets:						
Cash and temporary cash investments	$ 64,441	$ 64,441	$ 64,441	$ 64,441	$ 64,441	$ 64,441
Freddie Mac common stock	—	—	—	—	—	71,729
Loans receivable[2]	70,929	71,458	74,276	79,806	91,118	101,887
Mortgage-backed securities	24,959	33,474	67,1[illegible]	68,392	68,933	68,933
Total	160,329	169,373	205,896	212,639	224,492	306,990
Rate-sensitive liabilities:						
Interest-bearing checking, passbook and money-market-rate accounts[3]	76,220	76,220	76,220	76,220	76,220	76,220
Certificate accounts[3]	113,242	151,865	169,209	170,223	174,664	174,664
Notes payable – FHLB	—	16,900	16,900	16,900	16,900	16,900
Total	189,462	244,985	262,329	263,343	267,784	267,784
Net gap at —						
December 31, 1992	$ (29,133)	$ (75,612)	$ (56,433)	$(50,704)	$(43,292)	$ 39,206
December 31, 1991	$ (95,017)	$ (92,636)	$ (64,094)	$(37,837)	$(32,637)	$ 32,649
December 31, 1990	$ (65,106)	$ (93,299)	$ (77,172)	$(51,584)	$(43,484)	$ 33,147

(1) Amounts are *cumulative;* for example, loans that can be repriced in one year include loans which can be repriced in six months.

(2) Amounts shown in the first five columns include estimated principal prepayments as well as normal principal amortization.

(3) Attention is directed to Note 5 to Wesco's consolidated financial statements contained in Item 8, Financial Statements, for further information on Mutual Savings' savings accounts.

Although Mutual Savings, and thus Wesco's financial segment, are presently exposed to detrimental effects should interest rates increase sharply, such exposure will end later in 1993 when disposition of Mutual Savings' directly made loans and savings accounts has been completed.

Mutual Savings has realized almost no loan losses in over ten years — an unusual experience for a mature savings and loan association. It is, however, suffering increased loan delinquencies as a result of credit mistakes made in 1988-1989 and the effects of the worst Southern California real estate recession in many years. At 1992 yearend it held four mortgage loans whose balances aggregated $2.5 million, collateralized by single-family houses whose estimated market values were approximately $4.7 million, with monthly payments over sixty days delinquent. In addition it held two houses it had obtained by foreclosure in 1992 and 1991 and three loans classified as in-substance foreclosures at book values aggregating $2.3 million, versus market values totaling $2.9 million. Mutual Savings has established allowances for losses totaling $850,000, including $650,000 charged against earnings in 1992 and $200,000 in 1991; of the $850,000, $500,000 has been designated for potential losses on loans and $350,000 on real estate held for sale.

Management attributes Mutual Savings' relatively favorable loan loss experience, as compared with that being reported by other financial institutions, principally to four factors. First, with immaterial exceptions, in recent years it has made only first-mortgage real estate loans on owner-occupied, single-family residences in Southern California. Second, about $18 million of its fixed-rate loans have been seasoned over approximately two decades and thus are now collateralized by properties in which the borrowers have extremely high equity interests. Third, its adjustable-rate first-mortgage loans ($72 million) are collateralized by conservatively appraised, owner-occupied properties in which Mutual Savings has consistently required substantial borrower equities, resulting in cushions that are generally still very satisfactory in spite of the recessionary housing market. Fourth, the balance of Mutual Savings' loan portfolio not in the foregoing categories ($12 million) is of extremely high quality.

Mutual Savings' carrying value of real estate held for sale amounted to about $23 million at 1992 yearend. Approximately $20 million of that amount related to a residential development in Santa Barbara, California (see Item 2, Properties) expected to be disposed of ultimately at a small gain. That property, plus two single-family residential properties discussed above (Mutual Savings' only foreclosures in over twelve years), and a small shopping center in Upland, California, represent all of Mutual Savings' foreclosed real estate.

Wesco's financial, insurance and industrial segments are not now suffering significantly from inflation, but each segment has potential exposure. The gap figures contained in the foregoing table indicate that Mutual Savings and the financial segment are exposed to detrimental effects should interest rates rise rapidly. Very large unanticipated changes in the rate of inflation could adversely impact the insurance business, because premium rates are established well in advance of incurrence of the related costs. The steel service and electrical equipment manufacturing businesses are competitive and operate on tight gross profit margins, and thus their earnings are susceptible to bad effects from inflationary cost increases.

RESULTS OF OPERATIONS

The savings and loan industry has been in considerable turmoil for many years. In response to perceived uncertainties in that industry, Wesco in the 1970s began to diversify its operations, and its savings and loan activities have declined both in size and in relative importance to Wesco's consolidated operations. Pending the use of funds in expansion or acquisition, the portfolio of investment securities has grown, and dividend and interest income and gains on securities transactions have increased in importance to Wesco's consolidated net income. Steel service operations were added in 1979, property and casualty insurance operations were added in 1985, and electrical equipment manufacturing operations were added at 1988 yearend. (See Item 1, Business, for further discussion of the changes in the savings and loan industry and of Wesco's other operations.)

The following summary indicates the contribution to consolidated net income of each of Wesco's three business segments — financial, insurance and industrial — and demonstrates the prevalence and effect on consolidated net income of unusual items in recent years (amounts are in thousands of dollars, all after income tax effect):

	1992	1991	1990	1989	1988
Financial segment:					
"Normal" net operating income of					
Mutual Savings	$ 3,746	$ 3,644	$ 4,099	$ 4,191	$ 4,694
Other operations[1]	3,776	3,960	3,975	3,194	3,609
	7,522	7,604	8,074	7,385	8,303
Unusual items:					
Net gain on sales of marketable securities	147	5,825	—	10	454
Net gain (loss) on sales of foreclosed property	(146)	825	—	—	—
Charges associated with the proposed give-up of Mutual Savings' status as a regulated savings and loan association[2]	(17,500)	—	—	—	—
	(17,499)	6,650	—	10	454
Net income (loss) — financial	(9,977)	14,254	8,074	7,395	8,757
Insurance segment:					
"Normal" net operating income	13,146	13,986	14,924	14,276	12,094
Securities gains	—	—	391	5,910	6,071
Net income — insurance	13,146	13,986	15,315	20,186	18,165
Industrial segment:					
Net income — industrial	1,832	1,282	2,040	2,753	3,167
Net income — consolidated	$ 5,001	$29,522	$25,429	$30,334	$30,089

(1) Comprises net commercial real estate rental income, plus interest and dividend income from cash equivalents and investment securities held outside Mutual Savings and Wes-FIC, less interest and other corporate expenses.

(2) Consists of income tax provision on about $47 million of Mutual Savings' net worth considered bad debt reserve for income tax (not financial statement) purposes, required to be recorded at 1992 yearend as a result of the decision to give up Mutual Savings' status as a regulated savings and loan association and thereby trigger recapture, for income tax purposes, of the bad debt reserve. (See Note 9 to accompanying consolidated financial statements for further information.)

The foregoing summary contains consolidated *after-tax* earnings data. The following discussion, by business segment, should be read in conjunction with the financial statements beginning on page 33, including in particular Note 11, which provides information as to operating profit *before taxes* for each of Wesco's business segments for the past three years.

Financial Segment

Mutual Savings' consolidated "normal" net operating income has remained relatively stable for two main reasons: (1) for each of the past five years, income tax benefits, to a varying degree, have been available principally because of the presence of interest income on state and municipal bonds and dividend income on preferred and common stocks, which are substantially exempt from income taxation; and (2) over the past two years, interest rates required to be paid on savings deposits have declined as tax-favored investment income has declined. Following is a summary of the components of Mutual Savings' consolidated "normal" net operating income (in thousands):

	1992	1991	1990	1989	1988
Revenues:					
Interest on loans and mortgage-backed securities	$16,662	$15,154	$13,158	$12,188	$11,245
Interest on temporary cash investments	1,223	2,967	3,362	2,941	7,230
Dividends on preferred and common stocks	5,472	7,018	10,669	10,669	8,058
Interest on state and municipal bonds	190	1,864	1,936	1,983	1,983
Other	465	376	333	262	229
	24,012	27,379	29,458	28,043	28,745
Expenses:					
Interest on savings accounts	12,021	18,340	22,004	21,530	20,840
Interest on notes payable	1,475	1,475	1,475	599	—
Operating expenses	5,249	5,025	4,672	4,455	4,108
Provision for losses	650	200	—	—	—
	19,395	25,040	28,151	26,584	24,948
Income before income tax provision or benefit	4,617	2,339	1,307	1,459	3,797
Income tax (provision) benefit relating thereto	(871)	1,305	2,792	2,732	897
"Normal" net operating income	$ 3,746	$ 3,644	$ 4,099	$ 4,191	$ 4,694

Mutual Savings' "normal" net operating income has become increasingly dependent on earnings from mortgages and mortgage-related assets, and less dependent on earnings from investments in favorably taxed preferred stocks and state and municipal bonds, particularly as preferred stocks have been sold as required by FIRREA (see Item 1, Business) and state and municipal bonds have been called or matured.

As indicated in Item 1, Business, Mutual Savings plans to give up its status as a regulated savings and loan association. Accordingly, it is negotiating to sell to another financial institution, subject to regulatory approval, the leaseholds and related tangible personal property necessary to operate its deposit-gathering offices later in 1993. It is expected that the buyer will assume its savings account liabilities, offset substantially by real estate loans, leasehold improvements and cash. Following the transaction, which will leave Mutual Savings with a majority (at market value) of its former assets, consisting principally of its indirect loans in the form of securitized mortgages and Freddie Mac stock, Mutual Savings' continuing business will be merged into Wesco's Wesco-Financial Insurance Company subsidiary.

Mutual Savings' net operating income has become more dependent on the difference between interest and dividend income and interest expense ("interest rate spread"), and more susceptible to adverse effects from changing interest levels ("interest rate risk"), and thus more like that of the typical savings and loan association. Mutual Savings' exposure to the detrimental effects of interest rate risk has been counteracted by substantial unrecorded appreciation in the market value of its investment in Freddie Mac stock and will be much reduced later in 1993 when disposition of its directly made loans and savings accounts has been completed.

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The following table develops interest rate spread and other ratios for each of the past three years (dollar amounts are in thousands):

	Year Ended December 31, 1992			Year Ended December 31, 1991			Year Ended December 31, 1990		
	Average Balance (1)	Interest/ Dividend Income (2)	Average Yield or Rate (3)	Average Balance (1)	Interest/ Dividend Income (2)	Average Yield or Rate (3)	Average Balance (1)	Interest/ Dividend Income (2)	Average Yield or Rate (3)
Assets earning interest or dividends:									
Real estate loans	$101,532	$ 8,335	8.21%	$105,356	$ 9,231	8.76%	$113,640	$10,523	9.26%
Mortgage-backed securities	105,724	8,327	7.88	73,947	5,923	8.01	29,005	2,635	9.08
Temporary cash investments	41,798	1,223	2.93	48,062	2,967	6.17	47,526	3,362	7.07
Common and preferred stocks	71,729	5,472	10.72	94,346	7,018	9.76	138,238	10,669	10.13
State and municipal bonds	1,784	190	16.81	15,481	1,864	18.24	17,049	1,936	17.21
Investment in stock of Federal Home Loan Bank ("FHLB")	1,134	31	2.73	1,211	79	6.52	1,269	93	7.33
Total assets earning interest or dividends	323,701	23,578	8.00	338,403	27,082	8.93	346,727	29,218	9.91
Interest-bearing liabilities:									
Savings accounts	(267,461)	(12,021)	4.49	(282,984)	(18,340)	6.48	(288,353)	(22,004)	7.63
Notes payable to FHLB	(16,900)	(1,475)	8.73	(16,900)	(1,475)	8.73	(16,900)	(1,475)	8.73
Total interest-bearing liabilities	(284,361)	(13,496)	4.75	(299,884)	(19,815)	6.61	(305,253)	(23,479)	7.69
Net interest- or dividend-earning assets	39,340	$10,082		38,519	$ 7,267		41,474	$ 5,739	
Net other assets	20,620			16,103			8,595		
Shareholders' equity	$ 59,960			$ 54,622			$ 50,069		
Interest rate spread for the year[4]			3.25%			2.32%			2.22%
Interest rate spread at yearend[5]			3.27%			2.54%			1.59%
Net interest margin[6]			3.11%			2.15%			1.66%
Return on average assets[7]			1.07%			1.01%			1.14%
Return on average equity[8]			6.25%			6.67%			8.19%
Equity to assets ratio[9]			17.19%			15.11%			13.98%

(1) Average of monthend balances for the year.

(2) Income or expense for the year, before income taxes.

(3) Computed generally by dividing income or expense by average balance. However, interest on state and municipal bonds and dividends on common and preferred stocks are stated on a so-called tax-equivalent basis, i.e., on a pre-tax basis as if fully subject to income taxes at maximum corporate rates.

(4) Represents the difference between the average yield on interest- and dividend-earning assets and the average rate paid on interest-bearing liabilities.

(5) Computed as in (4) using yearend instead of average balances.

(6) Represents net interest or dividend income divided by average interest- or dividend-earning assets.

(7) Computed by dividing "normal" net operating income per preceding table by average total assets of $348,496, $361,513 and $358,167 for 1992, 1991 and 1990.

(8) Computed as in (7) using average shareholders' equity instead of average total assets.

(9) Computed as in (7) using average shareholders' equity instead of "normal" net operating income.

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The following table analyzes the changes in dollar amounts of interest and dividend income and interest expense set forth in the foregoing table, distinguishing between changes attributable to average balance ("volume") and those caused by yield or rate (in thousands):

	Increase (Decrease) in Interest or Dividends								
	1992 vs. 1991			1991 vs. 1990			1990 vs. 1989		
	Attributable to			Attributable to			Attributable to		
	Volume (1, 4)	Rate (2, 4)	Net (3)	Volume (1, 4)	Rate (2, 4)	Net (3)	Volume (1, 4)	Rate (2, 4)	Net (3)
Assets earning interest or dividends:									
Real estate loans	$ (335)	$ (561)	$ (896)	$ (743)	$ (549)	$(1,292)	$ 1,484	$ 204	$1,688
Mortgage-backed securities	2,545	(141)	2,404	3,560	(272)	3,288	(1,039)	321	(718)
Temporary cash investments	(387)	(1,357)	(1,744)	38	(433)	(395)	(91)	512	421
Common and preferred stocks	(2,235)	689	(1,546)	(4,125)	474	(3,651)	(87)	87	—
State and municipal bonds	(1,648)	(26)	(1,674)	(206)	134	(72)	(53)	6	(47)
Investment in stock of Federal Home Loan Bank ("FHLB")	(5)	(43)	(48)	(4)	(10)	(14)	6	(26)	(20)
Total assets earning interest or dividends	(2,065)	(1,439)	(3,504)	(1,480)	(656)	(2,136)	220	1,104	1,324
Interest-bearing liabilities:									
Savings accounts	(1,006)	(5,313)	(6,319)	(403)	(3,261)	(3,664)	(422)	896	474
Notes payable to FHLB	—	—	—	—	—	—	876	—	876
Total interest-bearing liabilities	(1,006)	(5,313)	(6,319)	(403)	(3,261)	(3,664)	454	896	1,350
Net interest- or dividend-earning assets	$(1,059)	$ 3,874	$ 2,815	$(1,077)	$ 2,605	$ 1,528	$ (234)	$ 208	$ (26)

(1) Change in average balance multiplied by prior year rate.

(2) Change in rate multiplied by average balance of prior year.

(3) Sum of (1) and (2).

(4) Also includes a proportional allocation of the difference between the amounts computed in columns (1) and (2) and the net increase or (decrease) in column (3).

Insurance Segment

Wesco entered into the property and casualty insurance business in September 1985 through Wesco-Financial Insurance Company ("Wes-FIC"), a newly formed subsidiary. Prior to 1990, substantially all of its insurance business was derived from an arrangement with National Indemnity Company ("NICO") under which it reinsured 2% of the property and casualty insurance business of Fireman's Fund Insurance Companies ("Fireman's Fund") during a four-year coverage period that expired on August 31, 1989. Wes-FIC also began to write direct insurance business during 1988, and during 1990 and 1991 it reinsured 50% of the workers' compensation insurance business of Cypress Insurance Company ("Cypress"). During 1992 Wes-FIC entered into an arrangement with NICO whereby NICO is retroceding to it 50% of certain personal lines reinsurance business it has assumed. (See Item 1, Business, for further information on Wes-FIC, Cypress and NICO.)

The "normal" net operating income of Wes-FIC (i.e., income before securities gains) represents the combination of its underwriting results with the interest and dividend income from its investment activities. Following is a summary of such data (in thousands):

	Year Ended December 31,				
	1992	1991	1990	1989	1988
Premiums written	$24,866	$ 5,362	$ 2,454	$14,283	$59,227
Premiums earned	$19,587	$ 5,307	$ 2,003	$37,959	$62,465
Underwriting loss	$(1,192)	$(1,380)	$(1,755)	$(2,743)	$(3,473)
Interest and dividend income	15,407	16,475	17,852	17,398	15,377
Income before income taxes	14,215	15,095	16,097	14,655	11,904
Income tax (provision) benefit	(1,069)	(1,109)	(1,173)	(379)	190
"Normal" net operating income	$13,146	$13,986	$14,924	$14,276	$12,094

Underwriting results in the property and casualty insurance business are necessarily based on estimates and actuarial assumptions, and tend to be cyclical. Results were disastrous for many insurers for several years prior to Wes-FIC's entry into the insurance business, as price competition, inflation and new judicial notions tended to extend insurance coverages beyond limits contemplated when policies were issued. Several financial failures had occurred in the industry. The result was a decrease in the industry's insuring capacity (basically a multiple of its capital). This decreased capacity enabled insurers beginning in 1985 to increase prices (premium rates) significantly, as well as to become more selective in their underwriting. When Wes-FIC entered into the four-year Fireman's Fund reinsurance contract that expired on August 31, 1989, the cycle appeared to have become favorable for property and casualty insurers. But shortly thereafter, as price competition increased, Fireman's Fund management became more selective in its underwriting, and, as a result, growth in premium volume slowed in 1987 and declined in 1988. The decreased level of activity for both written and earned premiums shown in the foregoing table for the years prior to 1992 is principally the result of expiration of the reinsurance arrangement with Fireman's Fund as of August 31, 1989, offset only slightly by the Cypress business assumed in 1990 and 1991. The increases in premiums written and earned in 1992 are due principally to the assumption of the personal lines reinsurance business mentioned above. Management is hopeful that market conditions will improve, and that other attractive opportunities will become available.

Wes-FIC remains liable for runoff of its share of the losses and loss expenses covered by the Fireman's Fund and Cypress contracts. As claims are paid over many future years, the liability (approximately $48 million as of December 31, 1992) will decline, as will the funds set aside and invested pending payment of claims ("float").

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Interest and dividend income has been earned by Wes-FIC (1) on insurance premium float, (2) on capital contributed to the insurance business by Wesco (approximately $90 million from 1985 to 1987 and $13 million in 1989), and (3) on earnings retained and reinvested. Following is a summary, at cost, of the components of Wes-FIC's investment portfolio (in thousands):

	December 31,				
	1992	1991	1990	1989	1988
Taxable, interest-bearing cash equivalents	$ 51,316	$ 9,709	$ 11,214	$ 10,340	$ 1,017
State and municipal bonds	32,580	61,278	73,044	94,101	154,455
Equity securities	168,971	168,256	154,778	138,727	65,702
	$252,867	$239,243	$239,036	$243,168	$221,174

The income tax provision or benefit of Wes-FIC has fluctuated as a percentage of its pre-tax income in each of the periods presented in the table on the preceding page. These fluctuations have been caused by fluctuations in the relationship of substantially tax-exempt components of income to total pre-tax income.

Insurance losses and loss expenses, and the related liabilities reflected on Wesco's consolidated balance sheet, because they are based in large part upon estimates, are subject to estimation error. Revisions of such estimates in future periods could significantly affect the results of operations reported for future periods. However, Wes-FIC maintains a capital position strong enough not only to absorb adverse estimation corrections but also to enable it to accept other insurance contracts, including its expected entry into the business of super-catastrophe reinsurance, through subcontracts with Berkshire Hathaway, later in 1993. Super-catastrophe reinsurance is coverage that other insurance companies purchase to protect themselves against losses from major catastrophes.

Industrial Segment

Following is a summary of the operating results of the industrial segment, whose operations include wholly owned Precision Steel Warehouse, Inc. and its subsidiaries ("Precision Steel") and New America Electrical Corporation ("New America Electric"), 80%-owned by Wesco since 1988 yearend (in thousands):

	Year Ended December 31,				
	1992	1991	1990	1989	1988
Revenues, principally sales and services	$65,453	$65,409	$65,199	$69,484	$62,936
Income before income taxes	$ 2,943	$ 2,168	$ 3,470	$ 4,641	$ 5,173
Income tax provision	(1,153)	(900)	(1,397)	(1,873)	(2,006)
Minority interest	42	14	(33)	(15)	—
"Normal" net operating income	$ 1,832	$ 1,282	$ 2,040	$ 2,753	$ 3,167

Revenues of the industrial segment have remained relatively unchanged in each of the past three years notwithstanding the inclusion of $2.0 million of sales of the Wadsworth product line, acquired by New America Electric in 1991 (see Item 1, Business). Had it not been for this new product line, sales revenues would have declined in 1991, as in 1990, due primarily to continued weak economic conditions, combined with increased competition for sales at prices management has periodically declined to match, and secondarily to the discontinuation of sales by New America Electric of the switchgear product line, which contributed sales volume of approximately $0.5 million in 1991 vs. $1.4 million in 1990.

Cost of products sold, as a percentage of sales, amounted to 80.2%, 81.8% and 80.2% for 1992, 1991 and 1990. The cost percentage typically fluctuates slightly from year to year as a result of changes in product mix, price competition among suppliers and at the retail level, and the availability of favorable quantity order prices on materials purchased. The 1991 figure was somewhat higher than

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normal due to additional costs associated with New America Electric's discontinuation of its switchgear line.

The decrease in "normal" net operating income of the industrial segment for 1991 was attributable principally to the increased cost of products sold. As noted above, however, operating results of the industrial segment continue to suffer the effects of weak economic conditions.

* * * * * *

Management's long-term economic goal is to maximize gain in Wesco's intrinsic business value, with little regard to earnings recorded in any given year. There is no particular strategy as to the timing of sales of investments or the realization of securities gains. Securities may be sold for a variety of reasons, including (1) the belief that prospects for future appreciation of a particular investment are less attractive than the prospects for reinvestment of the after-tax proceeds from its sale, (2) the desire for funds for an acquisition or repayment of debt, or (3) regulatory requirements.

Realized securities gains have been an element of Wesco's net income for each of the past several years. The amounts of these gains, recorded when appreciated securities are sold, tend to fluctuate significantly from period to period. The varying effect upon Wesco's pre-tax income is evident on the face of the consolidated statement of income. The amount of realized gain for any period has no predictive value, and variations in amount from period to period have no practical analytical value, given the traditional existence of substantial unrealized price appreciation in Wesco's consolidated investment portfolio. Realized securities gains amounted to $0.1 million, $5.8 million and $0.4 million after income taxes in 1992, 1991 and 1990.

Wesco's consolidated revenues include significant amounts of fully tax-exempt interest on state and municipal bonds as well as substantially exempt dividend income from preferred and common stocks. Revenues for 1992 included a nondeductible loss, and those for 1991 included a tax-free gain, on sales of foreclosed property. In addition, expenses for 1992 and 1991 included nondeductible provisions for losses principally on loans and real estate held for sale. Fluctuations in the proportion of these components to total consolidated pre-tax income, plus a special tax provision of $17.5 million recorded as of 1992 yearend, have resulted in tax provisions expressed as percentages of pre-tax income, as follows: 80.7%, 14.7%, 1.4%, 8.6% and 13.9% in 1992, 1991, 1990, 1989 and 1988. (See Notes 6 and 9 to the accompanying consolidated financial statements for further information on income taxes.)

In 1990, the Financial Accounting Standards Board (the "FASB") issued Statement No. 106, which will require employers to accrue in advance the cost of health benefits for their retired employees. This statement, which becomes effective in 1993, will have little effect on Wesco's consolidated financial statements.

In 1992, the FASB issued Statement No. 109, which requires a change in accounting for income taxes beginning in 1993. It is believed that if the required changes had been made as of 1992 yearend the effects on Wesco's 1992 consolidated earnings and yearend shareholders' equity data contained in Item 6, Selected Financial Data, and in the consolidated financial statements beginning on page 33, would not have been significant.

In 1992, the FASB issued Statement No. 113, which sets forth conditions under which insurance contracts with reinsurers such as Wes-FIC may be accounted for as reinsurance and prescribes new accounting and reporting standards for such contracts. This statement, which becomes effective in 1993, is not expected to have a material effect on Wesco's consolidated financial statements.

Consolidated revenues, expenses and earnings set forth in Item 6, Selected Financial Data, and in Wesco's consolidated statement of income, are not necessarily indicative of future revenues, expenses and earnings, in that they are subject to significant variations in amount and timing of securities gains and losses and the possible occurrence of other unusual items. In addition, as explained in Item 1, Business, Mutual Savings expects to give up its status as a regulated savings and loan association, to sell certain of its assets to another financial institution, which is expected to assume its savings account liabilities and deposit-gathering branches, and to merge into Wes-FIC, which will thereafter continue the portion of its business that in recent years has employed the majority of its assets. It is anticipated that future operating costs of the merged business will be lower than Mutual Savings' present costs as a heavily regulated institution, while at the same time, asset deployment options will be increased. The effects on future operations of these changes, however, while possibly beneficial, are not subject to estimation.

Item 8. Financial Statements

Following is an index to financial statements and related schedules appearing in this report:

The data appearing on the financial statement schedules listed below should be read in conjunction with the consolidated financial statements and notes of Wesco Financial Corporation and the independent auditors' report referred to above. Schedules not included with these financial statement schedules have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable, as there were no such changes or disagreements.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information set forth in the section entitled "Election of Directors" appearing in the definitive combined notice of annual meeting and proxy statement of Wesco Financial Corporation for its 1993 annual meeting of shareholders (the "1993 Proxy Statement") is incorporated herein by reference.

Item 11. Executive Compensation

The information set forth in the section "Compensation of Directors and Executive Officers" in the 1993 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth in the section "Voting Securities and Holders Thereof" in the 1993 Proxy Statement is incorporated herein by reference.

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Item 13. Certain Relationships and Related Transactions

Certain information set forth in the sections "Election of Directors" and "Compensation of Directors and Excecutive Officers" in the 1993 Proxy Statement is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

The following exhibits (listed by numbers corresponding to Table 1 of Item 601 of Regulation S-K) are filed as part of this Annual Report on Form 10-K or are incorporated herein by reference:

- 3a. Articles of Incorporation and By-Laws of Wesco Financial Corporation (incorporated by reference to Exhibit 3a to Annual Report on Form 10-K of Wesco Financial Corporation for year ended December 31, 1989).
- 4.1 Form of Indenture dated October 2, 1989 (incorporated by reference to Exhibit 4.1 to report on Form 8-K of Wesco Financial Corporation dated October 31, 1989, File No. 33-31290).
- 4.2 Form of Supplemental Indenture dated October 15, 1989 (incorporated by reference to Exhibit 4.1 to report on Form 8-K of Wesco Financial Corporation dated October 31, 1989, File No. 33-31290).
- 22. Subsidiaries.

The index to financial statements and related schedules set forth in Item 8 of this report is incorporated herein by reference.

No reports on Form 8-K were filed during the quarter ended December 31, 1992.

SIGNATURES

Pursuant to the requirements of Section 13 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

By: Charles T Munger

Charles T. Munger — March 25, 1993
Chairman of the Board
(principal executive officer)

By:

Robert H. Bird — March 25, 1993
President
(principal operating officer)

By:

Jeffrey L. Jacobson — March 25, 1993
Vice President and Chief Financial Officer
(principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Robert H. Bird Director		March 25, 1993
Carolyn H. Carlburg Director	Carolyn H Carlburg	March 25, 1993
William T. Caspers Director		March 25, 1993
James N. Gamble Director	James N. Gamble	March 25, 1993
Charles T. Munger Director	Charles T Munger	March 25, 1993
Elizabeth Caspers Peters Director	Elizabeth Caspers Peters	March 25, 1993
David K. Robinson Director	David K. Robinson	March 25, 1993

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Wesco Financial Corporation

We have audited the accompanying consolidated balance sheets of Wesco Financial Corporation and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1992. Our audits also included financial statement schedules listed in the index at Item 8. These financial statements and financial statement schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wesco Financial Corporation and subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Deloitte & Touche

Los Angeles, California
March 12, 1993

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

ASSETS	December 31, 1992	December 31, 1991
Cash and temporary cash investments	$123,705	$ 41,849
Investments:		
Securities with fixed maturities —		
Mortgage-backed securities	68,933	129,510
Other	167,580	210,479
Marketable equity securities	331,770	320,819
Real estate loans receivable, programmed for runoff or sale in 1993	101,891	100,876
Accounts receivable	14,145	11,989
Real estate held for sale	23,159	24,037
Property and equipment	14,354	14,310
Other assets	19,422	17,260
	$864,959	$871,129

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1992	December 31, 1991
Savings accounts, programmed for runoff or assumption in 1993	$250,612	$286,904
Insurance losses and loss adjustment expenses	61,526	60,252
Income taxes payable, principally deferred	72,928	52,789
Notes payable	55,119	55,429
Other liabilities	13,060	9,392
Total liabilities	453,245	464,766
Shareholders' equity:		
Capital stock, $1 par value — authorized, 7,500,000 shares; issued and outstanding, 7,119,807 shares	7,120	7,120
Capital surplus arising from stock dividends	23,319	23,319
Unrealized appreciation of marketable equity securities of insurance business	107,709	100,952
Retained earnings	273,566	274,972
Total shareholders' equity	411,714	406,363
	$864,959	$871,129

See accompanying notes to consolidated financial statements.

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WESCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

(Dollar amounts in thousands except for amounts per share)

	Year Ended December 31,		
	1992	1991	1990
Revenues:			
Interest on loans and mortgage-backed securities	$ 16,688	$ 15,196	$ 13,183
Insurance premiums earned	19,587	5,307	2,003
Sales and service revenues	65,438	65,341	65,174
Interest and dividends on investments other than mortgage-backed securities	28,186	34,477	40,008
Gains, net, on sales of securities and foreclosed property	105	10,714	593
Other	1,811	1,811	1,680
	131,815	132,846	122,641
Costs and expenses:			
Interest on savings accounts	11,986	18,311	21,975
Insurance losses, loss adjustment and underwriting expenses	20,779	6,685	3,759
Cost of products and services sold	52,491	53,462	52,286
Selling, general and administrative expenses	15,813	14,986	14,073
Interest on notes payable	4,872	4,773	4,758
	105,941	98,217	96,851
Income before income taxes	25,874	34,629	25,790
Income tax provision	(20,873)	(5,107)	(361)
Net income	5,001	29,522	25,429
Retained earnings — beginning of year	274,972	251,573	231,981
Cash dividends declared and paid	(6,407)	(6,123)	(5,837)
Retained earnings — end of year	$273,566	$274,972	$251,573
Amounts per share based on 7,119,807 shares outstanding throughout each year:			
Net income	$.70	$4.15	$3.57
Cash dividends	$.90	$ .86	$ .82

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	1992	1991	1990
Cash flows from operating activities:			
Net income	$ 5,001	$ 29,522	$ 25,429
Adjustments to reconcile net income with net cash, including temporary cash investments, provided by operating activities —			
Gains, net, on sales of securities and foreclosed property, before taxes	(105)	(10,714)	(593)
Provision for depreciation and amortization, including amortization of bond premiums of $542, $1,343 and $1,494	1,864	2,113	2,680
Net increase (decrease) in liabilities for losses and loss adjustment expenses of insurance business	2,234	(11,153)	(19,746)
Increase (decrease) in income taxes payable currently	(841)	653	205
Increase in deferred income taxes payable associated with proposed give-up of regulatory savings and loan status	17,500	—	—
Other, net	(708)	2,804	2,336
Net cash provided by operating activities	24,945	13,225	10,311
Cash flows from investing activities:			
Real estate loan originations	(16,879)	(12,785)	(7,698)
Principal collections on real estate loans	14,861	17,010	18,471
Purchases of securities with fixed maturities	—	(200,882)	—
Proceeds from sales of securities with fixed maturities	—	80,445	17,231
Proceeds from maturities and redemptions of securities with fixed maturities	103,233	33,144	14,089
Proceeds from sales of marketable equity securities	—	46,356	4,544
Purchases of marketable equity securities	(714)	(479)	(9,740)
Other, net	(581)	(12,596)	(6,663)
Net cash provided (used) by investing activities	99,920	(49,787)	30,234
Cash flows from financing activities:			
Net increase (decrease) in passbook and money-market-rate savings accounts and interest-bearing checking accounts	6,404	4,187	(755)
Net decrease in certificate accounts	(42,696)	(3,376)	(4,744)
Payment of cash dividends	(6,407)	(6,123)	(5,837)
Other, net	(310)	(297)	(285)
Net cash used by financing activities	(43,009)	(5,609)	(11,621)
Increase (decrease) in cash, including temporary cash investments	81,856	(42,171)	28,924
Cash, including temporary cash investments — beginning of year	41,849	84,020	55,096
Cash, including temporary cash investments — end of year	$123,705	$ 41,849	$ 84,020
Supplementary disclosures:			
Interest paid during year	$ 17,698	$ 23,112	$ 26,845
Income taxes paid (recovered), net, during year	4,213	4,454	(92)
Real estate acquired through foreclosure during year	1,267	1,185	—

See accompanying notes to consolidated financial statements.

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WESCO FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except for amounts per share)

Note 1. Presentation and Consolidation

Wesco Financial Corporation ("Wesco") is 80.1%-owned by Blue Chip Stamps ("Blue Chip"), which in turn is wholly owned by Berkshire Hathaway Inc. ("Berkshire").

The consolidated financial statements of Wesco include the accounts of Wesco and its subsidiaries, which are all either directly or indirectly wholly owned, except for New America Electrical Corporation ("New America Electric"), which is 80% owned. These subsidiaries — most importantly Mutual Savings and Loan Association ("Mutual Savings"), Wesco-Financial Insurance Company ("Wes-FIC") and Precision Steel Warehouse, Inc. ("Precision Steel") — are engaged in several diverse businesses. See Note 11 for Wesco's consolidated financial information classified by business segment.

Management has decided that Mutual Savings will shortly give up its status as a regulated savings and loan association. To achieve this objective, Mutual Savings is negotiating to sell to another financial institution, subject to regulatory approval, the leaseholds and related tangible personal property necessary to operate Mutual Savings' deposit-gathering offices. In connection with the transaction, it is expected that the buyer will assume all of Mutual Savings' savings account liabilities and receive cash and other assets amounting, at Mutual Savings' book value, to slightly less than Mutual Savings' book value for deposits assumed. After provision for costs, the transaction is expected probably to result in a modest after-tax gain, in 1993, measured from a point after an unusual income tax provision of $17,500 required to be recorded at 1992 yearend on about $47,000 of Mutual Savings' net worth that has not been taxable in the past but is expected ultimately to become taxable upon Mutual Savings' relinquishment of its regulated savings and loan status. (See Note 9.)

At roughly the same time as the foregoing transaction, Mutual Savings expects to transfer its real estate (including but not limited to its Santa Barbara seaside property) to a newly formed Wesco subsidiary, which will thereafter manage the real estate, complete construction of the seaside development, and make such dispositions as seem appropriate.

After these transactions, Mutual Savings will retain a majority (at market value) of its former assets (consisting mostly of stock of Federal Home Loan Mortgage Corporation ["Freddie Mac"] and indirect loans in the form of securitized mortgages). Mutual Savings will then be merged into Wes-FIC, which will thereafter continue the portion of Mutual Savings' business that in recent years has employed the majority of its assets. The continuation of this business, including investment in mortgages, will be regulated by the Nebraska Department of Insurance, replacing present federal and California regulators.

All material intercompany balances and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

Note 2. Investments

Temporary cash investments include federal funds deposits, U.S. Treasury bills, money-market accounts, and other highly liquid investments maturing in less than three months from date acquired.

Investments in securities with fixed maturities, including mortgage-backed securities, are carried on the consolidated balance sheet at cost, adjusted for accretion of discount or amortization of premium using a method that produces approximately level yield. Marketable equity securities, except for those held in the insurance business, are carried at the lower of aggregate cost or market. Marketable equity securities held in the insurance business are carried at market value, with any resulting gain or loss added to or deducted from shareholders' equity, net of deemed applicable income taxes, without effect on net income. None of these investments are held for trading purposes. The Company has the ability, and it is management's present intent, to hold them indefinitely.

Following is a summary of temporary cash investments and securities with fixed maturities, at yearend:

	1992			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Temporary cash investments:				
Obligations of the Federal Home Loan Bank	$ 60,856	$ —	$ —	$ 60,856
Corporate obligations	51,316	181	—	51,497
Other	4,386	—	—	4,386
	$116,558	$ 181	$ —	$116,739
Securities with fixed maturities:				
Mortgage-backed securities	$ 68,933	$ 1,151	$ —	$ 70,084
Preferred stocks —				
Salomon Inc, 9%	100,000	8,000	—	108,000
Champion International Corporation, 9¼%	23,000	690	—	23,690
USAir Group, Inc., 9¼%	12,000	—	(3,000)	9,000
State and municipal bonds	32,580	2,199	—	34,779
	$236,513	$12,040	$(3,000)	$245,553

	1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Temporary cash investments:				
Obligations of the Federal Home Loan Bank	$ 19,400	$ —	$ —	$ 19,400
Corporate obligations	9,546	10	—	9,556
Other	5,800	—	—	5,800
	$ 34,746	$ 10	$ —	$ 34,756
Securities with fixed maturities:				
Mortgage-backed securities	$129,510	$ 2,669	$ —	$132,179
Preferred stocks —				
Salomon Inc, 9%	100,000	2,000	—	102,000
Champion International Corporation, 9¼%	23,000	—	—	23,000
USAir Group, Inc., 9¼%	12,000	—	(4,200)	7,800
State and municipal bonds	75,479	3,990	—	79,469
	$339,989	$ 8,659	$(4,200)	$344,448

Market quotations at the respective yearends with respect to the preferred stocks were not available. Charles T. Munger, Chairman of the Board and Chief Executive Officer of Wesco, acting on behalf of the board of directors of Wesco, in consultation with Warren E. Buffett, Chairman of the Board and Chief Executive Officer of Berkshire, estimated the fair values of such stocks using valuation techniques based upon market assumptions.

Dollar amounts in thousands except for amounts per share

The preferred stocks listed above were acquired in conjunction with purchases made by other subsidiaries of Berkshire, and are all convertible into common stock and subject to various contractual terms and conditions. Salomon Inc must redeem 20% of its preferred stock on October 31 each year commencing in 1995, to the extent still outstanding. Champion International Corporation must redeem its preferred stock by December 6, 1999 if not previously called or converted. USAir Group, Inc. must redeem its preferred stock by August 7, 1999 if not previously called or converted.

Mortgage-backed securities at cost of $16,335 at 1992 yearend collateralize certain debt (see Note 7). As of 1992 yearend, estimated maturities, including prepayments, are as follows:

	Amortized Cost	Estimated Market Value
In one year or less	$ 33,500	$ 33,750
After one year through five years	34,900	35,750
After five years	533	584
	$ 68,933	$ 70,084

The state and municipal bonds set forth above as of 1992 yearend are expected to mature as follows:

	Amortized Cost	Estimated Market Value
In one year or less	$ 9,018	$ 9,085
After one year through five years	12,685	13,465
After five years through ten years	8,749	10,018
After ten years	2,128	2,211
	$32,580	$34,779

Following is a summary of marketable equity securities:

	December 31, 1992			December 31, 1991		
	Cost	Market	Carrying Value	Cost	Market	Carrying Value
Federal Home Loan Mortgage Corporation ("Freddie Mac") common stock	$ 71,729	$348,300	$ 71,729	$ 71,729	$330,000	$ 71,729
The Coca-Cola Company common stock	40,761	150,867	150,867	40,761	144,562	144,562
The Gillette Company common stock	40,000	91,000	91,000	40,000	89,800	89,800
Other	16,085	19,353	18,174	15,370	15,172	14,728
	$168,575	$609,520	$331,770	$167,860	$579,534	$320,819

At 1992 yearend, the market value of marketable equity securities contained aggregate unrealized gains (over cost, not carrying value) of $440,945; there were no unrealized losses.

In Wesco's 1990 yearend financial statements it was reported that the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") required, effective July 1, 1991, that savings and loan associations such as Mutual Savings maintain a larger proportion of their assets in a more restrictive list of housing-related assets than regulations then permitted, and that Mutual Savings' investment in common stock of Freddie Mac at cost of approximately $72 million would no longer qualify as a housing-related asset under FIRREA as of that date, notwithstanding its continued qualification in a similar asset test for federal income tax purposes. Subsequently, in December 1991, President Bush signed the Federal Deposit Insurance Corporation Improvement Act ("FDICIA"), which liberalized the regulatory list of qualifying housing-related assets and provided a formula under which each institution could compute its unique regulatory requirement. The calculation is essentially

Dollar amounts in thousands except for amounts per share

dependent on each association's size in terms of total assets and asset mix, and typically varies as of each balance sheet date.

Under FDICIA, approximately $60 million, at cost, of Mutual Savings' investment in Freddie Mac stock was considered a qualifying housing-related asset for regulatory purposes as of 1992 yearend. FDICIA, however, left unchanged the FIRREA requirement that Mutual Savings write down to zero, in stages, the entire $72 million cost of its investment in Freddie Mac common stock (1992 yearend market value $348 million) in computing its regulatory net worth. The regulatory writedown, which does not affect book net income *per se*, is currently 40% of Mutual Savings' investment in Freddie Mac stock; it is scheduled to increase to 60% on July 1, 1993 and 100% on July 1, 1994. However, regulations have been proposed that would no longer require any such regulatory writedown. Also, as explained in Note 1, Mutual Savings plans to give up its status as a regulated savings and loan association with the result that FIRREA and FDICIA will no longer apply. If neither further relaxation in the regulations nor Mutual Savings' withdrawal from savings and loan regulation has become effective by July 1, 1993, Mutual Savings will probably not be able to absorb the 60% writedown scheduled to take effect on that date and still comply with regulatory net worth requirements (essentially that it maintain net worth equal to at least 8% of risk-weighted assets after any such writedown), and will look to Wesco for an additional contribution to its capital.

Note 3. Real Estate Loans Receivable

Following is a summary of real estate loans receivable by type of collateral, at yearend:

	1992	1991
Residential property of one to four units	$100,162	$ 98,210
Residential property of more than four units	951	1,600
Commercial property and vacant land	1,170	1,213
Other	108	53
	102,391	101,076
Less allowance for losses	(500)	(200)
	$101,891	$100,876
Average interest rate	6.83%	8.53%

Of the above loans, all of which were originated by Mutual Savings in Southern California, $71,166 and $72,429 at 1992 and 1991 yearends bear adjustable rates of interest. Estimated fair market value of Mutual Savings' real estate loan portfolio as of 1992 yearend, based on market factors, is approximately equal to its cost. Loans receivable are stated at unpaid principal balances, less allowance for losses.

In addition to establishment of an allowance for loan losses of $200 in 1991 and an increase therein of $300 in 1992 as reflected in the summary above, Mutual Savings in 1993 established a $350 allowance for loss on disposition of real estate held for sale. The $850 in allowances was provided through charges against income to cushion against any losses that might materialize in the future with respect to loans, foreclosed property or other assets. Management's periodic evaluation of the adequacy of the allowances is based on various factors, including past loan loss experience, known and inherent risks in the loan portfolio, the estimated values of properties or other assets, current economic conditions and regulatory pressure.

Interest income on loans is recognized under the accrual method of accounting. Such accrued interest amounted to $603 and $870 at 1992 and 1991 yearends.

Various loans whose 1992 yearend balances aggregate $21,885 collateralize certain debt. (See Note 7.)

Dollar amounts in thousands except for amounts per share

Note 4. Real Estate Held for Sale

Real estate held for sale consists principally of Mutual Savings' cost of developing a 22-acre parcel of largely oceanfront foreclosed land in Santa Barbara, California. The reduction in net book value of the project — $20,604 at 1992 yearend versus $22,525 at the prior yearend — reflects principally continued construction less cost of sales of several townhouses during 1992 on which Mutual Savings realized a loss of $146, versus a gain of $825 realized in 1991.

The net loss on sales of the houses includes the detrimental effect of $585 caused by the granting of slightly-below-market-interest-rate loans to facilitate several of the sales. Although the interest rates charged were above Mutual Savings' cost of funds, the discounted interest was recorded as reductions of selling prices for accounting purposes. Wesco expects the marketing of the development as a whole to result ultimately in an overall profit.

The balance of real estate held for sale, $2,555 at 1992 yearend, represents principally Mutual Savings' only two loan foreclosures in many years, plus the book value of three delinquent loans likely to result in foreclosure.

Real estate held for sale is stated at cost on the consolidated balance sheet, less allowance for loss on disposition at 1992 yearend of $350. (See Note 3.)

Note 5. Savings Accounts

Following is a summary of savings accounts by type of account, at yearend:

Type of Account	Interest Rate(a)	1992	1991	1990
Interest-bearing checking accounts(b)	1.21%	$ 6,357	$ 5,725	$ 5,079
Passbook accounts(b)	2.40	17,246	15,652	12,481
Money-market-rate accounts(b)	2.36	52,345	48,167	47,797
Certificate accounts:				
32 days-6 months.....................	2.85	41,875	49,673	47,493
7 months-1 year	3.47	25,026	23,072	26,885
13 months-2 years	4.35	32,831	41,501	37,889
25 months-4 years	5.74	13,270	15,276	19,232
Over 4 years	8.57	18,775	19,589	14,263
IRA/Keogh accounts, 18 months(c)	4.66	27,423	36,943	37,816
IRA/Keogh accounts, 4 years(c)	8.77	6,551	6,226	5,096
Jumbo certificates of deposit...........	3.18	8,913	25,080	32,062
		$250,612	$286,904	$286,093

(a) Weighted average annual interest rate at 1992 yearend.
(b) No stated maturity.
(c) Other IRA/Keogh accounts included in the various certificate accounts amounted to $5,944, $3,158 and $914 at 1992, 1991 and 1990 yearends.

The weighted average interest rates on all accounts at 1992, 1991 and 1990 yearends were 3.88%, 5.88% and 7.43%. These rates are based upon stated interest rates without giving consideration to daily compounding of interest or forfeiture of interest due to premature withdrawals.

At 1992 yearend, certificate accounts mature as follows: 1993, $151,865; 1994, $20,509; 1995, $1,014 and 1996, $1,276.

Estimated 1992 yearend fair market value of the savings accounts, based on market factors, is approximately $245,000.

Dollar amounts in thousands except for amounts per share

Note 6. Taxes on Income

Certain items of income and expense are recognized in the financial statements in periods that differ from the periods in which these items are recognized on the income tax returns, giving rise to the recognition in the financial statements of deferred and prepaid income taxes. The liability for deferred income taxes is included on the accompanying consolidated balance sheet, net of prepaid income taxes, in income taxes payable. Following is a breakdown of the liability for income taxes reflected on the accompanying consolidated balance sheet:

	1992	1991
Payable currently	$ 1,524	$ 1,208
Payable in the future	71,404	51,581
	$72,928	$52,789

The consolidated statement of income contains an income tax provision as follows:

	1992	1991	1990
Recoverable (payable) currently—			
Federal	$ (2,385)	$(3,088)	$(725)
State	(1,230)	(2,844)	355
	(3,615)	(5,932)	(370)
Recoverable (payable) in the future—			
Federal	(15,633)	686	111
State	(1,625)	139	(102)
	(17,258)	825	9
Total income tax provision	$ (20,873)	$(5,107)	$(361)

Following is a summary of the tax effects of timing differences:

	1992	1991	1990
State income taxes deducted under different methods	$ (107)	$ 572	$ (58)
Deferred insurance premium acquisition costs	(736)	5	—
Amortization of unearned insurance premiums	749	336	363
Recapture of Mutual Savings' tax-basis bad debt reserve (see Note 9)	(17,500)	—	—
Discounting of losses and loss adjustment expense reserves of insurance business	283	(353)	(709)
Loan fees recognized under different methods	315	235	256
Other, net	(262)	30	157
Income taxes (payable) recoverable in the future	$(17,258)	$ 825	$ 9

A reconciliation of the statutory federal income tax rate with the effective income tax rate resulting in the income tax provision appearing on the accompanying consolidated statement of income follows:

	1992	1991	1990
Statutory federal income tax rate	34.0 %	34.0 %	34.0 %
Increase (decrease) resulting from:			
Recapture of Mutual Savings' tax-basis bad debt reserve (see Note 9)	67.6	—	—
Tax-exempt interest income	(5.0)	(7.0)	(24.5)
Exclusion from taxable income of a significant portion of dividend income	(20.0)	(15.3)	(11.3)
State income taxes, less federal tax benefit	3.0	3.5	2.3
Other differences, net	1.1	(0.5)	0.9
Effective income tax provision rate	80.7 %	14.7 %	1.4 %

Dollar amounts in thousands except for amounts per share

Wesco and its subsidiaries join with other Berkshire subsidiaries in the filing of consolidated federal income tax returns for the Berkshire group. The consolidated federal tax liability is apportioned among group members pursuant to methods that result in each member of the group paying or receiving an amount that approximates the increase or decrease in consolidated taxes attributable to such member.

Federal income tax returns through 1988 have been examined by and settled with the Internal Revenue Service. The California Franchise Tax Board (the "FTB") has raised state tax issues which affect years 1980 through 1987 (it is likely the FTB will raise similar issues in subsequent years). Wesco has protested the FTB's proposed tax adjustments and believes that the ultimate resolution of these matters will not have a materially adverse effect on its consolidated financial statements.

Statement No. 109, issued by the Financial Accounting Standards Board in 1992, requires a change in the method of accounting for income taxes beginning in 1993. Management believes that, if the required changes had been made as of 1992 yearend, the effects on 1992 consolidated earnings and yearend shareholders' equity would not have been significant.

Note 7. Notes Payable

Following is a list of notes payable, at yearend:

	1992	1991
Notes due November 1999, bearing interest at 8⅞% payable semiannually	$30,000	$30,000
Federal Home Loan Bank ("FHLB") notes, collateralized by mortgage loans, mortgage-backed securities and FHLB stock, due August 1994, bearing interest at 8.73% payable monthly, programmed for repayment or assumption in 1993	16,900	16,900
Notes payable, collateralized by land, buildings and assignment of leases, due in monthly installments through February 2007 of $45 including interest at 9¼%	4,251	4,394
Industrial revenue bonds due December 2014, bearing interest at 7.75% payable semiannually	2,600	2,600
Industrial revenue bonds, due in quarterly installments through December 1994 of $42 plus interest at 6½%	333	500
Note payable, due December 1998, bearing interest at 10% payable monthly	1,035	1,035
	$55,119	$55,429

Notes payable at 1992 yearend mature as follows: 1993, $17,197; 1994, $323; 1995, $172; 1996, $189; 1997, $207; thereafter, $37,031. The 1993 maturity includes the FHLB notes which are programmed for either repayment or assumption.

Agreements relating to the 8⅞% notes contain covenants, among others, enabling the lenders to require Wesco to redeem the notes at par in the event Wesco ceases to be controlled by Berkshire. Wesco is in compliance with all of the covenants.

Estimated fair market values of the foregoing notes payable at December 31, 1992, was approximately $59,200. This figure was computed using discounted cash flow computations based upon estimates as to interest rates prevailing at that date on comparable borrowings.

Dollar amounts in thousands except for amounts per share

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Note 8. Quarterly Financial Information

Unaudited quarterly financial information for 1992 and 1991 follows:

	Quarter Ended			
	December 31, 1992	September 30, 1992	June 30, 1992	March 31, 1992
Total revenues	$29,613	$32,705	$39,872	$29,623
Net income (loss)	(11,579)*	5,230	5,997	5,353
Per share	(1.62)*	.73	.84	.75
Gains (losses) on sales of securities and foreclosed property, net of income taxes, included in net income above	—	—	357	(356)
Per share	—	—	.05	(.05)

* Includes an income tax provision of $17,500 ($2.46 per share) related to the proposed give-up of Mutual Savings' regulatory savings and loan status.

	Quarter Ended			
	December 31, 1991	September 30, 1991	June 30, 1991	March 31, 1991
Total revenues	$29,760	$31,409	$40,442	$31,235
Net income	5,401	6,858	10,872	6,391
Per share	.77	.96	1.52	.90
Gains (losses) on sales of securities and foreclosed property, net of income taxes, included in net income above	(75)	1,076	5,649	—
Per share	—	.15	.79	—

Note 9. Retained Earnings

In Wesco's 1991 yearend financial statements it was reported that Wesco's retained earnings included $47,314 of undistributed retained earnings of Mutual Savings that had been taken as special bad debt deductions for income tax purposes through 1968, after which such deductions were no longer available to Mutual Savings due to its having reached certain limitations. These deductions were not related to amounts of losses actually anticipated and were not charged against income for financial reporting purposes; the deductions, rather, represented the means by which qualified savings and loan associations were granted indefinite deferral of income taxes. It was also reported that, if in the future, any portion of such retained earnings were to be used for any purpose other than to absorb loan losses, including payment of dividends to Wesco or distribution in liquidation, such withdrawal would necessitate accrual and payment of income taxes.

As explained in Note 1, Mutual Savings recently decided to give up its status as a regulated savings and loan association, thereby subjecting the $47,314 to income taxation. Accordingly, Wesco's income tax provision for the year 1992 and its liability for income taxes as of 1992 yearend were increased $17,500 above normal levels to reflect this requirement. These taxes are expected to be paid over several future years.

Note 10. Postretirement Benefit Plans

In December 1990 the Financial Accounting Standards Board issued a statement which will require employers to accrue in advance the cost of health benefits for their retired employees. This statement, which becomes effective in 1993, will have little, if any, effect on Wesco's consolidated financial statements.

Dollar amounts in thousands except for amounts per share

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Note 11. Business Segment Data

Consolidated financial information for each of the three most recent years is presented below, broken down as to Wesco's three business segments — financial, insurance and industrial.

The financial segment includes the accounts of Wesco and Mutual Savings, as well as temporary cash investments and other investments of Precision Steel and its subsidiaries and of New America Electric, together with related interest and dividend income and gain or loss on related sales. The insurance segment includes the accounts of Wes-FIC. The industrial segment includes the operating accounts of Precision Steel and its subsidiaries and of New America Electric.

	1992	1991	1990
Revenues:			
Financial	$ 31,336	$ 45,615	$ 36,953
Insurance	35,027	21,822	20,489
Industrial	65,452	65,409	65,199
	$131,815	$132,846	$122,641
Operating profit before taxes:			
Financial	$ 14,039	$ 22,249	$ 10,693
Insurance	14,216	15,095	16,689
Industrial	2,791	2,373	3,461
Corporate expenses	(300)	(315)	(295)
Interest expense on notes payable	(4,872)	(4,773)	(4,758)
	$ 25,874	$ 34,629	$ 25,790

The above revenue and operating profit data include net gains on sales of securities and foreclosed property, before taxes, as follows:

	1992	1991	1990
Financial	$ 105	$ 10,714	$ —
Insurance	—	—	593
	$ 105	$ 10,714	$ 593

Additional business segment data follow:

	1992	1991	1990
Capital expenditures:			
Financial	$ 939	$ 2,255	$ 606
Industrial	398	4,681	697
	$ 1,337	$ 6,936	$ 1,303
Depreciation and amortization of tangible assets:			
Financial	$ 328	$ 271	$ 361
Industrial	965	824	749
	$ 1,293	$ 1,095	$ 1,110
Identifiable assets at yearend:			
Financial	$407,033	$445,073	$436,593
Insurance	425,868	396,095	283,924
Industrial	32,058	29,961	23,564
	$864,959	$871,129	$744,081

Dollar amounts in thousands except for amounts per share

WESCO FINANCIAL CORPORATION
SCHEDULE I — MARKETABLE SECURITIES — OTHER INVESTMENTS
DECEMBER 31, 1992
(Dollar amounts in thousands)

Name of Issuer and Title of Each Issue	Number of Shares of Stock or Principal Amount of Notes	Cost	Market Value	Balance Sheet Carrying Value
CONSOLIDATED				
Securities with fixed maturities:				
Mortgage-backed securities guaranteed by Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal National Mortgage Association and Government National Mortgage Association	$68,257	$ 68,933	$ 70,084	$ 68,933
Convertible preferred stocks —				
Salomon Inc*	100,000 shares	100,000	108,000	100,000
Champion International Corporation*	23,000 shares	23,000	23,690	23,000
USAir Group, Inc.*	12,000 shares	12,000	9,000	12,000
State and municipal bonds	$34,305	32,580	34,779	32,580
		$236,513	$245,553	$236,513
Marketable equity securities (all common stocks):				
Freddie Mac	7,200,000 shares	$ 71,729	$348,300	$ 71,729
The Coca-Cola Company	3,602,800 shares	40,761	150,867	150,867
The Gillette Company	1,600,000 shares	40,000	91,000	91,000
Other	181,340 shares	16,085	19,353	18,174
		$168,575	$609,520	$331,770
REGISTRANT ONLY				
Convertible preferred stock of Salomon Inc*	50,000 shares	$ 50,000	$ 54,000	$ 50,000
Convertible preferred stock of Champion International Corporation*	8,000 shares	8,000	8,240	8,000
		$ 58,000	$ 62,240	$ 58,000

* Market quotations are not available. Charles T. Munger, Chairman of the Board and Chief Executive Officer of Wesco, acting on behalf of the board of directors of Wesco, in consultation with Warren E. Buffett, Chairman of the Board and Chief Executive Officer of Berkshire Hathaway Inc., Wesco's ultimate parent, has determined the fair values of the convertible preferred stocks.

See notes to consolidated financial statements.

WESCO FINANCIAL CORPORATION
SCHEDULE III — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEET
(Dollar amounts in thousands)

	December 31, 1992	December 31, 1991
ASSETS		
Cash and temporary cash investments (including savings accounts at Mutual Savings of $260 and $2,058)	$ 1,321	$ 2,541
Convertible preferred stocks	58,000	58,000
Investment in subsidiaries, at equity:		
Mutual Savings	50,492	59,244
Precision Steel	27,199	24,660
Wes-FIC	303,604	283,801
New America Electric	8,183	8,377
Other	135	165
Property and equipment	5,246	5,125
Income taxes recoverable	24	—
Other assets	791	967
	$454,995	$442,880
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and advances payable	$ 37,786	$ 35,429
Accounts payable, accrued expenses and other liabilities	5,495	427
Income taxes payable	—	661
Total liabilities	43,281	36,517
Shareholders' equity (see consolidated balance sheet)	411,714	406,363
	$454,995	$442,880

STATEMENT OF INCOME AND RETAINED EARNINGS
(Dollar amounts in thousands)

	Year Ended December 31, 1992	1991	1990
Revenues:			
Dividends on preferred stocks	$ 5,240	$ 5,240	$ 5,240
Interest on temporary cash investments	33	27	27
Rental of office, store and garage premises, less expenses	2,208	2,092	2,064
Other	59	81	47
	7,540	7,440	7,378
Expenses:			
Interest on notes payable	3,189	3,262	3,232
General and administrative	933	777	692
	4,122	4,039	3,924
Income before items shown below	3,418	3,401	3,454
Income tax provision	(123)	(114)	(138)
Dividends from subsidiaries	—	—	4,000
Equity in undistributed earnings of subsidiaries	1,706	26,235	18,113
Net income	5,001	29,522	25,429
Retained earnings — beginning of year	274,972	251,573	231,981
Cash dividends declared and paid	(6,407)	(6,123)	(5,837)
Retained earnings — end of year	$273,566	$274,972	$251,573

See notes to consolidated financial statements.

WESCO FINANCIAL CORPORATION
SCHEDULE III — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS
(Dollar amounts in thousands)

	Year Ended December 31,		
	1992	1991	1990
Cash flows from operating activities:			
Net income	$ 5,001	$ 29,522	$ 25,429
Adjustments to reconcile net income with net cash, including temporary cash investments, provided by operating activities —			
Increase (decrease) in income taxes payable	(661)	199	(80)
Equity in undistributed earnings of subsidiaries	(1,706)	(24,235)	(20,113)
Other, net	596	(1,792)	919
Net cash provided by operating activities	3,230	3,694	6,155
Cash flows from investing activities:			
Various, net	(400)	(249)	(691)
Net cash used by investing activities	(400)	(249)	(691)
Cash flows from financing activities:			
Advances from subsidiaries	2,500	—	—
Collection of advance to subsidiary	—	4,200	—
Payment of cash dividends	(6,407)	(6,123)	(5,837)
Other, net	(143)	(130)	(119)
Net cash used by financing activities	(4,050)	(2,053)	(5,956)
Increase (decrease) in cash, including temporary cash investments	(1,220)	1,392	(492)
Cash, including temporary cash investments — beginning of year	2,541	1,149	1,641
Cash, including temporary cash investments — end of year	$ 1,321	$ 2,541	$ 1,149

See notes to consolidated financial statements.

MUTUAL SAVINGS AND LOAN ASSOCIATION
(A Wholly Owned Subsidiary of Wesco Financial Corporation)

CONDENSED BALANCE SHEET
(Dollar amounts in thousands)

	December 31, 1992	December 31, 1991
ASSETS		
Cash and temporary cash investments	$ 64,441	$ 22,878
State and municipal bonds, at cost (1991 market — $14,576)	—	14,202
Mortgage-backed securities (market $70,084 and $132,179)	68,933	129,510
Real estate loans receivable, yielding 6.83% and 8.53%, programmed for runoff or sale in 1993	101,887	100,874
Investment in Federal Home Loan Mortgage Corporation common stock (market $348,300 and $330,000)	71,729	71,729
Real estate held for sale	23,159	24,037
Other assets	7,558	4,265
	$337,707	$367,495
LIABILITIES AND SHAREHOLDER'S EQUITY		
Savings accounts, paying 3.88% and 5.88%, programmed for runoff or assumption in 1993	$250,884	$289,015
Notes payable to Federal Home Loan Bank, 8.73%, due August 10, 1994, programmed for repayment or assumption in 1993	16,900	16,900
Accounts payable, accrued expenses and other liabilities	774	837
Income taxes payable, principally deferred	18,657	1,499
	287,215	308,251
Shareholder's equity:		
Guarantee stock and additional paid-in capital	5,100	100
Retained earnings	45,392	59,144
Total shareholder's equity	50,492	59,244
	$337,707	$367,495

See notes to consolidated financial statements of Wesco Financial Corporation.

WESCO FINANCIAL CORPORATION

COMMISSION FILE NUMBER 1-4720

Exhibits to Form 10-K
for the Fiscal Year Ended December 31, 1992

Exhibit Number	Description	Filed	Incorporated By Reference
3a.	Copies of articles of incorporation and by-laws		X
4.1	Form of Indenture to 8 7/8% Notes due November 1999		X
4.2	Form of Supplemental Indenture to 8 7/8% Notes due November 1999		X
22.	List of subsidiaries	X	

Disclosure®
Information Services, Inc.

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Bethesda, MD 20816
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EXHIBITS FOLLOW

Exhibit 22 to
Wesco Financial Corporation
Form 10-K
For Year Ended
December 31, 1992

WESCO FINANCIAL CORPORATION
SUBSIDIARIES OF WESCO FINANCIAL CORPORATION

Name of Subsidiary	Percentage Owned by Registrant	State of Incorporation
WSC Insurance Agency	100%	California
Mutual Savings and Loan Association	100%	California
Montecito Sea Meadow Mutual Water Company, Inc.	100%	California
Wesco Holdings Midwest, Inc.	100%	Nebraska
Precision Steel Warehouse, Inc.	100%	Illinois
Precision Steel Warehouse, Inc.-Charlotte Service Center	100%	Delaware
Precision Brand Products	100%	Delaware
Wesco-Financial Insurance Co.	100%	Nebraska
New America Electrical Corp.	80%	California