WESCO FINANCIAL CORP W 340470

10-K

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*** A01 ***

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

{X} ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee required)

For the fiscal year ended December 31, 1994 or

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

For the Transition period from ------------------ to ------------------

Commission file number 1-4720

WESCO FINANCIAL CORPORATION
(Exact name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of incorporation or organization)	95-2109453 (I.R.S. Employer Identification
301 East Colorado Boulevard, Suite 300, Pasadena, California (Address of Principal Executive Offices)	91101-1901 (Zip Code)

(818) 585-6700
(Registrant's Telephone Number, Including Area Code)

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

(Title of Class)

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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

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

91101-1901
(Zip Code)

ing Area Code)

he Act:

Name of Each Exchange
on Which Registered

American Stock Exchange
nd Pacific Stock Exchange

he Act:

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1) has filed all reports
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2) has been subject to such
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or information statements

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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 20, 1995 was: $157,755,000

The number of shares outstanding of the registrant's Capital Stock as of March 20, 1995 was: 7,119,807.

DOCUMENTS INCORPORATED BY REFERENCE

Title of Document

Proxy Statement for 1995 Annual
Meeting of Shareholders
Parts of Form 10-K

Part III, Items 10, 11, 12
and 13

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 (1) the property and casualty insurance business, through Wesco-Financial Insurance Company ("Wes-FIC"), which was incorporated in 1985, and (2) the steel service center business, through Precision Steel Warehouse, Inc. ("Precision Steel"), which was begun in 1940 and acquired by Wesco in 1979. Through approximately 1993 yearend, Wesco also engaged in the savings and loan business, through Mutual Savings and Loan Association ("Mutual Savings"), which was incorporated in California in 1925, gave up its status as a regulated thrift institution after disposing of its savings accounts and most of its real estate loans in October 1993, and, in a statutory merger effective January 1, 1994, merged into Wes-FIC.

Wesco's operations also include, through MS Property Company ("MS Property"), the ownership and management of commercial real estate transferred to MS Property by Wesco, and the development and liquidation of foreclosed real estate and delinquent real estate loans transferred to MS Property by Mutual Savings, all in December 1993, when MS Property began its operations. Wesco's operations, through mid-1993, also included the manufacture of electrical equipment through New America Electrical Corporation ("New America Electric"), which was organized in 1982 and was approximately 80%-owned by Wesco from December 1988 through mid-1993.

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 40.7% of its stock. Charles T. Munger, the chairman of Wesco, is also vice chairman of Berkshire, and consults with Mr. Buffett with respect to Wesco's investment decisions and major capital allocations, but Mr. Buffett has no active participation in Wesco's management.

Wesco's activities, through 1993 yearend, fell into three business segments -- financial, insurance, and industrial. The financial segment included the savings and loan business operated by Mutual Savings as well as other activities more closely associated with the savings and loan business than any of Wesco's other principal businesses, namely, investment activity other than Wes-FIC's and parent company operations. The insurance segment consisted of Wes-FIC's insurance business. The industrial segment comprised Precision Steel's steel service center operations and, until mid-1993, the manufacture of electrical products by New America Electric.

Effective with the beginning of 1994, following Mutual Savings' discontinuance as a regulated savings and loan association late in 1993 and its subsequent statutory merger into Wes-FIC, the financial segment classification no longer served a useful purpose and was discontinued. The insurance segment was expanded to reflect Wes-FIC's absorption of the portion of Mutual Savings' business that in recent years had employed the majority of its assets in terms of market value: the indirect real estate lending business engaged in through ownership of 7.2 million shares of common stock of Federal Home Loan Mortgage Corporation ("Freddie Mac") and mortgage-backed securities. Other, relatively insignificant operations previously included in the financial segment are no longer identified with any specific business segment; these include (1) investment activity other than Wes-FIC's, (2) management of owned commercial real estate, (3) development and liquidation of foreclosed real estate and delinquent loans formerly owned by Mutual Savings, and (4) parent company operations.

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The amounts of revenues, operating profit and identifiable assets attributable to each of Wesco's business segments are included in Note 8 to the accompanying consolidated financial statements.

INSURANCE SEGMENT

Wes-FIC was incorporated in 1985 to engage in the property and casualty insurance and reinsurance business. On January 1, 1994, Wes-FIC's shareholders' equity (net worth) increased from $329 million to $569 million as a result of the absorption of Mutual Savings' remaining net assets through merger.

In 1985, Wes-FIC entered into an arrangement whereby it reinsured -- through a Berkshire insurance 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 under this arrangement have occurred principally from the investment of premiums, as Wes-FIC, instead of Fireman's Fund, has invested funds from "float" (funds set aside and invested pending payment of claims). 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.

In 1990 and 1991, Wes-FIC reinsured 50% of the book of workers' compensation insurance business of Cypress Insurance Company ("Cypress"), a wholly owned subsidiary of Berkshire, under a contract patterned generally after that with Fireman's Fund. 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 retroceded to it 50% of certain personal lines reinsurance business NICO had assumed. The arrangement was terminated in mid-1993, when the original source of the reinsurance stopped making cessions to NICO.

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 1994 amounted to approximately 1% of its statutory surplus compared to an industry average of about 130% based on figures reported for 1993.

Standard & Poor's Corporation, in 1994, recognized Wes-FIC's strong competitive position as a part of the Berkshire Hathaway insurance group, and its unusual capital strength, and assigned its highest rating, AAA, to Wes-FIC's claims-paying ability. This rating recognized the commitment of Wes-FIC's management to a disciplined approach to underwriting and reserving, as well as Wes-FIC's extremely strong capital base.

Wes-FIC's traditional strength, made even greater by the absorption of Mutual Savings, enabled it to enter into the business of "super-catastrophe" reinsurance, through six subcontracts retroceded by NICO at favorable terms in 1994. Super-catastrophe reinsurance is the insurance that insurance companies buy from other insurance companies to protect themselves against major catastrophic losses. An insurer in this business must have large net worth in relation to annual premiums in order to remain solvent when called upon to pay claims when a large super catastrophe occurs.

Berkshire has indicated that its insurance subsidiaries may from time to time be offered super-catastrophe reinsurance business that is somewhat larger

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than it wishes to retain and may make a portion of the business available to Wes-FIC, as NICO did in 1994. Wesco's and Wes-FIC's boards of directors have authorized automatic acceptance of future retrocessions of reinsurance offered by wholly owned subsidiaries of Berkshire provided the following guidelines and limitations are complied

with: (1) in order not to delay the acceptance process, the retrocession will be accepted without delay in writing in Nebraska by agents of Wes-FIC who are salaried employees of Berkshire subsidiaries; (2) the Berkshire subsidiary will receive a ceding commission of 3% of premiums, probably less than the Berkshire subsidiary could get in the marketplace; (3) Wes-FIC will assume 20% or less of the risk (before taking into account effects of the ceding commission); (4) wholly owned Berkshire subsidiaries will retain at least 80% of the identical risk (again, before taking into account effects of the ceding commission); and (5) the aggregate premiums from this type of business in any twelve-month period will not exceed 10% of Wes-FIC's net worth.

Wes-FIC is licensed to write direct business, as distinguished from reinsurance, in Nebraska, Utah and Iowa. It wrote a very small volume of such insurance during 1994 and earned $15,000 in direct premiums.

Wesco's and Wes-FIC's boards are hopeful, but have no assurance, that additional reinsurance retrocessions or other insurance arrangements, including those similar to the Fireman's Fund contract, will become available to Wes-FIC.

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 policyholder dividend restrictions, reporting requirements, annual audits by independent accountants, periodic regulatory examinations, and limitations on the size and types of investments that can be made.

INDUSTRIAL SEGMENT

Precision Steel, acquired in 1979 for approximately $15 million, operates a well-established steel service center business at 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 within 24 hours.

The steel service businesses are subject to economic cycles. These

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businesses are not dependent on a few large customers. The backlog of steel service orders increased to approximately $6.1 million as of December 31, 1994 from $5.2 million as of December 31, 1993.

Approximately 250 full-time employees are engaged in the steel service businesses, about 40% of whom are members of unions. Management considers labor relations to be good.

FINANCIAL SEGMENT

Starting with the late 1970s, the savings and loan business was a difficult business in which to engage, as was explained in detail in previous annual reports. Mutual Savings and Wesco dealt with increasing savings and loan regulations and regulatory pressures, with the result that management decided late in 1992 that Mutual Savings would 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 believed 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. Accordingly, following receipt of regulatory approvals, Mutual Savings on October 8, 1993 transferred its savings accounts and certain other liabilities (totaling about $220 million), offset by substantially all of its real estate loans and certain other non-cash assets (about $86 million, combined) and cash (about $134 million), to CenFed Bank, A Federal Savings Bank ("CenFed"). Wesco loaned $4 million to CenFed's parent corporation for a three-year period. In addition, Mutual Savings and Wesco jointly agreed to indemnify CenFed to the extent of at least 90% with respect to any losses that might be sustained on the loans transferred. After provision for such indemnification, the CenFed transaction resulted in an after-tax gain of $906,000, or $.13 per Wesco share, in 1993.

Following completion of the foregoing transaction, and the withdrawal by Mutual Savings and by Wesco from savings and loan regulation, (1) Mutual Savings transferred all of its foreclosed real estate, and the few real estate loans that were not sold to CenFed, to MS Property, which is continuing the slow liquidation of those assets begun by Mutual Savings, and (2) Wesco transferred its commercial real estate property in Pasadena, California, to MS Property, which is now managing it.

Mutual Savings retained a majority (at market value) of its former assets, consisting mostly of stock of Freddie Mac (market approximately $359 million versus cost of about $72 million at 1993 yearend) and approximately $46 million of securitized mortgages. Immediately after 1993 yearend, Mutual Savings merged into Wes-FIC, which continues to engage in indirect lending activities. This business is regulated by the Nebraska Department of Insurance, replacing federal and California thrift regulators, and is now included in the insurance segment.

Wesco, while it seeks suitable businesses to acquire and explores ways to expand its existing operations, invests in marketable securities of unaffiliated companies. (See Note 2 to the accompanying consolidated financial statements for summaries of investments.)

Following Mutual Savings' merger into Wes-FIC, the financial segment disappeared. Starting with 1994, extraneous, relatively insignificant operations that were previously included in the financial segment because they were indirectly related to operation of the savings and loan association are no longer identified with any segment as they do not in any way relate to the two remaining segments. These extraneous operations include (1) investment activity other than Wes-FIC's, (2) management of owned commercial real estate, (3) development and liquidation of foreclosed real estate and delinquent loans formerly owned by Mutual Savings, and (4) parent company operations.

Ten full-time employees are engaged in the activities of Wesco and MS Property.

ITEM 2. PROPERTIES

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MS Property 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. Of the 125,000 square feet of office space, approximately 3,000 square feet are used by Wesco and MS Property as their headquarters. Most of the remainder is leased to outside parties, including CenFed, law firms and others, under agreements expiring at various dates to 2008. MS Property also owns a parking lot with space for approximately 100 automobiles across the street from the multistory structure.

Wes-FIC uses as its place of business the Omaha, Nebraska headquarters office of NICO.

MS Property holds real estate acquired by Mutual Savings or itself through foreclosure. The most valuable parcel, acquired in 1966, consists of 22 acres of largely oceanfront land near Santa Barbara, California, where a luxury development consisting of 20 townhomes and 12 residential lots has been under construction, with several sales recorded to date. Other properties include several buildings in a small shopping center in Upland, California, which are leased to various small businesses, and several single-family residences in Southern 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.

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 May 1994.

PART II

ITEM 5.

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 1994 and 1993, as well as cash dividends paid by Wesco on each outstanding share:

	1994		
	SALES PRICE		
QUARTER ENDED	HIGH	LOW	DIVIDENDS PAID
March 31..........	$136	$124 1/2	$ 0.245
June 30...........	131	115	0.245
September 30.....	124	114	0.245
December 31......	119 1/2	112 1/2	0.245
			$ 0.980

	1993		
	SALES PRICE		
QUARTER ENDED	HIGH	LOW	DIVIDENDS PAID

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March 31.........	$ 89	$ 80	$ 0.235
June 30..........	131	108	0.235
September 30.....	149 3/4	124 3/4	0.235
December 31......	145	127 1/4	0.235
			$ 0.940

There were approximately 825 shareholders of record of Wesco's capital stock as of the close of business on March 8, 1995.

ITEM 6. SELECTED FINANCIAL DATA

Set forth below and on the following page are selected consolidated financial data for Wesco and its subsidiaries. For additional financial information, attention is directed to Wesco's audited 1994 consolidated financial statements appearing elsewhere in this report. (Amounts are in thousands except for amounts per share.)

	YEAR ENDED DECEMBER 31,			
	1994	1993	1992	1991
Revenues:				
Insurance premiums earned	$ 1,133	$ 12,158	$ 19,587	$ 5,307
Sales and service revenues	62,143	63,627	65,438	65,341
Interest and dividends on investments other than mortgage-backed securities	26,207	28,152	28,186	34,477
Interest on loans and mortgage-backed securities	2,810	7,952	16,688	15,196
Gains, net, on sales of securities and foreclosed property	323	1,783	105	10,714
Gain on disposition of Mutual Savings' loans and deposits	--	1,577	--	--
Other	2,842	2,109	1,811	1,811
	95,458	117,358	131,815	132,846
Costs and expenses:				
Insurance losses and expenses	(571)	12,894	20,779	6,685
Cost of products and services sold	49,459	51,570	52,491	53,462
Interest on savings accounts	--	5,792	11,986	18,311
Selling, general and administrative	13,713	16,051	15,813	14,986
Interest on notes payable	3,092	4,610	4,872	4,773
Other-than-temporary decline in value of investment in USAir Group, Inc. preferred stock	9,000	--	--	--
Loss on sale of New America Electric	--	2,700	--	--
	74,693	93,617	105,941	98,217
Income before income taxes and cumulative effect of change in accounting for income taxes	20,765	23,741	25,874	34,629
Provision for income taxes	(1,793)	(5,046)	(20,873)	(5,107)
	18,972	18,695	5,001	29,522
Cumulative effect of change in accounting for income taxes	--	1,023	--	--
Net income	$18,972	$ 19,718	$ 5,001	$ 29,522
Amounts per share:				
Income before cumulative effect of change in accounting for income taxes	$ 2.66	$ 2.63	$ .70	$ 4.15
Net income	2.66	2.77	.70	4.15
Cash dividends	$ .98	$ .94	$ .90	$ .86

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YEAR ENDED DECEMBER 31,			
1993	1992	1991	1990
$ 12,158	$ 19,587	$ 5,307	$ 2,003
63,627	65,438	65,341	65,174
28,152	28,186	34,477	40,008
7,952	16,688	15,196	13,183
1,783	105	10,714	593
1,577	--	--	--
2,109	1,811	1,811	1,680
117,358	131,815	132,846	122,641
12,894	20,779	6,685	3,759
51,570	52,491	53,462	52,286
5,792	11,986	18,311	21,975
16,051	15,813	14,986	14,073
4,610	4,872	4,773	4,758
--	--	--	--
2,700	--	--	--
93,617	105,941	98,217	96,851
23,741	25,874	34,629	25,790
(5,046)	(20,873)	(5,107)	(361)
18,695	5,001	29,522	25,429
1,023	--	--	--
$ 19,718	$ 5,001	$ 29,522	$ 25,429
$ 2.63	$ .70	$ 4.15	$ 3.57
2.77	.70	4.15	3.57
$ .94	$ .90	$ .86	$ .82

	DECEMBER 31,			
	1994	1993	1992	1991
Assets:				
Cash and temporary cash investments...	$ 15,800	$ 5,230	$123,705	$ 41,849
Investments*--				
Securities with fixed maturities:				
Mortgage-backed securities.......	31,387	45,848	68,933	129,510
Other............................	151,702	156,278	167,580	210,479
Marketable equity securities.......	696,261	639,958	331,770	320,819
Real estate loans receivable..........	5,884	1,848	101,891	100,876
Total assets..........................	961,761	915,155	864,959	871,129
Liabilities:				
Savings accounts......................	$ --	$ --	$250,612	$286,904
Insurance losses and expenses.........	39,785	53,818	61,526	60,252
Income taxes payable,				
principally deferred*..............	191,858	180,722	72,928	52,789
Notes payable.........................	37,557	37,896	55,119	55,429
Total liabilities.....................	283,614	289,068	453,245	464,766
Shareholders' equity*:				
Unrealized appreciation of				
investments, net of taxes..........	$349,122	$309,057	$107,709	$100,952
Retained earnings.....................	298,586	286,591	273,566	274,972
Total shareholders' equity............	678,147	626,087	411,714	406,363
Per share..........................	$95.25	$87.94	$57.83	$57.07

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* Wesco adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective at 1993 yearend, with the result that all marketable equity securities owned by Wesco and its subsidiaries at 1994 and 1993 yearends are stated above at fair value, with the aggregate net unrealized gain added to shareholders' equity net of deemed applicable income taxes. Due to a change in classification in 1994, the reporting of securities with fixed maturities was changed to conform it to that of marketable equity securities; the 1994 yearend balances also reflect that change. (See Note 2 to the accompanying consolidated financial statements for further details.)

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DECEMBER 31,			
1993	1992	1991	1990
$ 5,230	$123,705	$ 41,849	$ 84,020
45,848	68,933	129,510	23,727
156,278	167,580	210,479	269,943
639,958	331,770	320,819	205,091
1,848	101,891	100,876	107,382
915,155	864,959	871,129	744,081
$ --	$250,612	$286,904	$286,093
53,818	61,526	60,252	71,405
180,722	72,928	52,789	14,022
37,896	55,119	55,429	55,726
289,068	453,245	464,766	435,103
$309,057	$107,709	$100,952	$ 26,966
286,591	273,566	274,972	251,573
626,087	411,714	406,363	308,978
$87.94	$57.83	$57.07	$43.40

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for further details.)

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. Its net worth is greater than ever due mainly to continued successful operations as well as continued appreciation of marketable securities. Its liquidity in terms of cash equivalents is adequate for all operating and other current needs. Other resources are available such as liquidation of marketable securities and borrowings from banks and others.

Wesco adopted the provisions of SFAS No. 115, "Accounting for Certain investments in Debt and Equity Securities", effective at 1993 yearend. As a result, all marketable equity securities began to be carried in the consolidated financial statements at market value. Previously only those owned by Wesco's Wesco-Financial Insurance Company ("Wes-FIC") subsidiary could be written up to market. Those owned by Wesco and its other subsidiaries were required to be carried at the lower of aggregate cost or market; because for many years aggregate cost had been below aggregate market, they had invariably been carried at cost. Securities with fixed maturities, on the other hand, continued to be carried at amortized cost at 1993 yearend as mandated by SFAS No. 115, because such investments were deemed to be held-to-maturity. However, in 1994, Wesco's management reclassified its fixed-maturity investments to available-for-sale; under SFAS No. 115 fixed-maturity investments so classified had to be carried at fair value, and thus their reporting was conformed to that of marketable equity securities, without material effect in relation to Wesco's reported net worth. See Note 2 to the accompanying consolidated financial statements for additional information as to the investments owned by Wesco and its subsidiaries.

Following is a calculation of the pro forma shareholders' equity (net worth) figures that would have been reported beginning with 1990 yearend if SFAS No.115 had been available for adoption by Wesco in 1990 instead of 1993 and if Wesco had viewed its fixed-maturity securities as available for sale commencing with 1990. (Amounts are in millions.)

	DECEMBER 31,			
	1994	1993	1992	1991
Shareholders' equity before any unrealized gains...	$329	$317	$304	$305
Net unrealized gains included in shareholders' equity..	349	309	108	101
Shareholders' equity as actually reported..........	678	626	412	406
Net unrealized gains not included above............	--	15	169	155
Pro forma shareholders' equity......................	$678	$641	$581	$561

It should be borne in mind that neither the inclusion nor the exclusion of appreciation in the carrying value of investments has any effect on Wesco's true financial condition, nor its intrinsic value to shareholders.

Borrowings from banks and others have been available to Wesco and its subsidiaries under attractive terms for a number of years. In May 1994, in recognition of the sound financial condition of Wesco and of its Wes-FIC insurance subsidiary, Standard & Poor's Corporation raised its credit rating on Wesco's $30 million of Notes due November 1999 from AA+ to AAA, its highest rating, and also assigned Wes-FIC a rating of AAA as to its claims-paying

NCIAL CONDITION AND RESULTS

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Accounting for Certain
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However, in 1994, Wesco's
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its subsidiaries.

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DECEMBER 31,				
1994	1993	1992	1991	1990
$329	$317	$304	$305	$282
349	309	108	101	27
678	626	412	406	309
--	15	169	155	41
$678	$641	$581	$561	$350

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raised its credit rating on
AA+ to AAA, its highest
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ability.

Wesco's Mutual Savings and Loan Association ("Mutual Savings") subsidiary, prior to sale of most of its real estate loans in October 1993, did not suffer the crippling loan losses reported by much of the savings and loan industry in recent years. Mutual Savings did, however, experience some loan losses and some increasing deterioration of collateral value due mainly to recessionary economic conditions and decreasing real estate values in Southern California. Recessionary conditions are continuing to affect the marketing of foreclosed real estate now owned by Wesco's MS Property Company ("MS Property") subsidiary.

Mutual Savings, in connection with its sale of $81 million of real estate loans late in 1993, indemnified CenFed against any losses that might ultimately be sustained to the extent of at least 90% of each loss. Management of Wesco does not believe that the indemnification will have a significant effect on Wesco's financial condition, principally because (1) the loans are first-mortgage real estate loans mainly on owner-occupied, single-family residences, and (2) Mutual Savings' seriously delinquent loans were not sold to CenFed but rather transferred to MS Property. Management of CenFed has reported that, with the exception of only one loan subsequently repurchased from it by MS Property, all such loans are essentially current and trouble-free.

MS Property is in process of selling off several foreclosed real estate properties. The most significant of these is a 22-acre parcel of largely oceanfront land in Montecito, near Santa Barbara, California, which Mutual Savings and more recently MS Property have been developing on an upscale basis and marketing over a period of several years. After deducting writedowns to estimated net realizable value of $2 million in 1993 and $3 million in 1994, the property's carrying value at 1994 yearend was approximately $19 million. The market for homes and residential lots of the type comprising MS Property's Montecito development appears to be improving after several years of weakness. Other foreclosed properties and real estate loans were carried on the books at 1994 yearend at approximately $10 million, net of reserves.

Wesco is not now suffering from inflation, but its insurance and industrial segments have potential exposure. 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. Precision Steel's steel service businesses are competitive and operate on tight gross profit margins, and thus its earnings are susceptible to bad effects from inflationary cost increases.

RESULTS OF OPERATIONS

Wesco, which had started essentially as a savings and loan holding company, began to diversify its operations in the 1970s mainly in response to perceived uncertainties and turmoil in the savings and loan industry. Mutual Savings' activities declined both in size and in relative importance to Wesco's consolidated operations until, finally, its savings deposits and most loans were disposed of in late 1993, and it merged into Wesco's insurance subsidiary effective January 1, 1994. As the portfolio of investment securities has grown, mostly inside the savings and loan and insurance subsidiaries, dividend and interest income and realized and unrealized gains on securities have increased in importance to Wesco. Steel service operations were added in 1979, property and casualty insurance operations were added in 1985, and electrical equipment manufacturing operations (sold in mid-1993) were added at 1988 yearend. (See Item 1, Business, for further discussion of Wesco's operations.)

The following summary sets forth the contribution to consolidated net income of each of Wesco's business segments -- insurance, industrial and, through yearend 1993, financial -- and of Wesco's nonsegment activities. In each case unusual items are shown separately from "normal" net operating income. (Amounts are in thousands, all after income tax effect.)

	1994	1993	
Insurance segment:			
"Normal" net operating income	$21,582	$12,434	$
Unusual items:			
Securities gains	163	1,156	
Decline in value of USAir preferred stock	(5,850)(1)	--	
Unusual income tax charges, net	--	(1,011)(2)	
Net income -- insurance segment	15,895	12,579	
Industrial segment:			
"Normal" net operating income	2,900	1,976	
Unusual income tax credit	--	199(2)	
Net income -- industrial segment	2,900	2,175	
Financial segment:			
"Normal" net operating income	--	2,458	
Unusual items:			
Gain on disposition by Mutual Savings of deposits and some loans	--	906	
Unusual income tax charges, net	--	(297)(2)	
Net income (loss) -- financial segment	--	3,067	
Other than identified business segments:(4)			
"Normal" net operating income	177	3,514	
Loss on sale of New America Electrical Corporation	--	(1,617)	
Net income -- nonsegment activities	177	1,897	
Net income -- consolidated	$18,972	$19,718	$

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(1) Represents writedown of investment in preferred stock of USAir Group, Inc., explained in Note 2 to the accompanying consolidated financial statements.

(2) Consists of cumulative effect of change in accounting for income taxes upon adoption of SFAS No. 109 and effect of subsequent change in income tax rate on deferred tax liabilities and assets. (See Note 5 to accompanying consolidated financial statements for further information.)

(3) Consists of income tax provision required to be recorded due to the triggering of recapture of special bad debt tax deductions when it was decided to give up Mutual Savings' status as a regulated savings and loan association. (See Note 5 to accompanying consolidated financial statements for further information.)

(4) Amounts for 1993 and 1992 have been reclassified to facilitate comparison; in past years these items were included in the financial segment in Item 7 presentations, because they were more closely associated with activities of

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	1994	1993	1992
.....	$21,582	$12,434	$ 13,146
.....	163	1,156	--
.....	(5,850)(1)	--	--
.....	--	(1,011)(2)	--
.....	15,895	12,579	13,146
.....	2,900	1,976	1,832
.....	--	199(2)	--
.....	2,900	2,175	1,832
.....	--	2,458	3,747
ts			
.....	--	906	--
.....	--	(297)(2)	(17,500)(3)
.....	--	3,067	(13,753)
.....	177	3,514	3,776
.....	--	(1,617)	--
.....	177	1,897	3,776
.....	$18,972	$19,718	$ 5,001

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the then-used financial segment than the other two segments.

In the following sections the "normal" net operating income data set forth in the foregoing summary on an after-tax basis is broken down and discussed. Attention is directed to Note 8 to the accompanying consolidated financial statements for information as to operating profit before taxes.

Insurance Segment

Wesco entered into the property and casualty insurance business in 1985 through Wes-FIC, a newly formed subsidiary. Substantially all of its insurance business to date has been derived through relatively short-lived quota share and excess of loss reinsurance arrangements with National Indemnity Company ("NICO") and Cypress Insurance Company ("Cypress"), wholly owned subsidiaries of Berkshire, Wesco's ultimate parent. Under the arrangements, Wes-FIC has been ceded portions of the property and casualty reinsurance business of NICO and has reinsured workers' compensation business written by Cypress.

Quota share reinsurance provides indemnification to ceding companies of specified portions of the ceding companies' own losses. Excess of loss reinsurance provides indemnification to ceding companies for all or part of covered losses in excess of specified retentions (or deductibles).

Wes-FIC's arrangements with NICO to date have comprised principally (1) reinsurance of NICO's quota share reinsurance contract under which Wes-FIC reinsured 2% of the property and casualty insurance business of the Fireman's Fund Insurance Companies during a four-year coverage period that expired on August 31, 1989, (2) reinsurance of another quota share contract under which Wes-FIC reinsured 50% of certain personal lines reinsurance business that NICO had assumed in an arrangement that accounted for substantially all of Wes-FIC's earned premiums in 1992 and 1993, and which terminated in mid-1993 when the original source of the reinsurance stopped making cessions to NICO, and (3) reinsurance of 5% to 20% of several catastrophic excess of loss ("super-cat") reinsurance contracts beginning in 1994. Wes-FIC has also written small amounts of direct insurance business.

Wes-FIC's entry into the business of super-cat reinsurance followed a large increase in its net worth, from $329 million as of 1993 yearend to $569 million as of January 1, 1994, when it absorbed Mutual Savings and Loan Association ("Mutual Savings") through merger. (See Item 1, Business, for further information on Wes-FIC, NICO, Cypress, Berkshire, Fireman's Fund and Mutual Savings.)

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

	YEAR ENDED DECEMBER	
	1994	1993
Premiums written	$ 8,825	$ 6,249
Premiums earned	$ 1,133	$12,158
Underwriting gain (loss)	$ 1,579	$ (783)
Dividend and interest income	24,969	15,170
Income before income taxes	26,548	14,387
Income tax provision	(4,966)	(1,953)
"Normal" net operating income	$21,582	$12,434

Insurance premiums are recognized as earned revenues by Wes-FIC pro rata over the term of the contract on all forms of insurance except for super-cat reinsurance. Premiums on super-cat reinsurance are not recognized as earned until the earlier of a loss occurrence or policy expiration, in order to avoid premature recognition of underwriting profits. The super-cat reinsurance contracts referred to above expire at various dates beginning in the first quarter of 1995. Four of the contracts representing approximately half of the reinsurance volume have been renewed.

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	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
....	$ 8,825	$ 6,249	$24,866
....	$ 1,133	$12,158	$19,587
....	$ 1,579	$ (783)	$(1,192)
....	24,969	15,170	15,408
....	26,548	14,387	14,216
....	(4,966)	(1,953)	(1,070)
....	$21,582	$12,434	$13,146

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An underwriting loss has typically been reported by Wes-FIC each year. The underwriting gain reported for 1994 resulted mainly from a reduction of liabilities for losses and loss expenses with respect to business written in earlier years. Liabilities for losses and loss expenses are estimates and thus are subject to estimation error; revisions of such estimates are reflected in underwriting results of the current accounting period. The 1994 adjustment, while not insignificant in terms of its effect on Wesco's net income for the year, was not material in relation to the cumulative insurance business previously written by Wes-FIC or in terms of its effect on Wesco's net worth.

Wes-FIC's revenues and net income for 1994 benefited from its absorption of Mutual Savings, inasmuch as dividend and interest income previously reported as revenue of Wesco's financial segment is now included in Wes-FIC's revenues.

Wes-FIC's relatively low volume of insurance and reinsurance premiums in recent years has been attributable mainly to management's perception that the opportunity to write more business at sensible rates has not been available, given the generally competitive industry-wide conditions. Meanwhile, Wes-FIC has been actively pursuing other insurance and reinsurance opportunities.

Wes-FIC remains liable for runoff of its share of the losses and loss expenses covered by the insurance arrangements summarized above. As claims are paid over many future years, the liability (approximately $40 million as of December 31, 1994) will decline, as will the funds set aside and invested pending payment of claims ("float").

Dividend and interest income has been earned by Wes-FIC principally (1) on insurance premium float, (2) on capital contributed to the insurance business by Wesco (approximately $100 million through 1993), (3) on earnings retained and reinvested, and (4) on the assets (approximately $400 million at market value) added by the merger of Mutual Savings on January 1, 1994.

The income tax provision of Wes-FIC has fluctuated as a percentage of its pre-tax income in each of the periods presented in the foregoing table. 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 has maintained a capital position strong enough not only to absorb adverse estimation corrections but also to enable it to accept other insurance contracts. Although additional reinsurance retrocessions from Berkshire subsidiaries, or other attractive reinsurance or insurance arrangements would be welcome, the timing and extent of any increase in Wes-FIC's insurance underwriting activity cannot presently be predicted.

Industrial Segment

Following is a summary of the "normal" net operating results of the industrial segment, whose operations have included the businesses of Precision Steel Warehouse, Inc. and its subsidiaries ("Precision Steel") and New America Electrical Corporation ("New America Electric"), until the latter sold its electrical equipment manufacturing operations effective July 1, 1993 and liquidated shortly thereafter (in thousands):

	YEAR ENDED DECEMBER	
	1994	1993
Revenues, principally sales and services	$62,492	$63,959
Income before income taxes	$ 4,811	$ 3,375
Income tax provision	(1,911)	(1,443)
Minority interest	--	44
"Normal" net operating income	$ 2,900	$ 1,976

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	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
....	$62,492	$63,959	$65,453
....	$ 4,811	$ 3,375	$ 2,943
....	(1,911)	(1,443)	(1,153)
....	--	44	42
....	$ 2,900	$ 1,976	$ 1,832

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Revenues of the industrial segment for the past three years, as set forth above, included electrical equipment manufacturing revenues of $3.5 million in 1993 and $7.4 million in 1992. Revenues of Precision Steel's businesses increased moderately from year to year due mainly to improving economic conditions in the industrial sector of the economy.

Income before income taxes and normal net operating income of the industrial segment were negatively affected in 1993 and 1992 as a result of the inclusion of the operating results of New

America Electric. Had it not been for Wesco's equity of $213,000 and $243,000 in New America Electric's after-tax operating losses in 1993 and 1992, the industrial segment would have reported normal net operating income of $2,189,000 and $2,075,000 for those years. The improvement in these earnings figures was attributable mainly to the following: increases in sales; reductions in operating expenses; and, in 1994, a reduction in cost of products sold as a percentage of steel service revenues. (This percentage was 79.6%, 81.2% and 80.6% for 1994, 1993 and 1992.) 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 availability of favorable quantity order prices on materials purchased.

Financial Segment

Through 1993, Wesco had a financial segment, which included revenues and expenses of Mutual Savings as well as revenues and expenses of other activities more closely associated with the savings and loan business than any of Wesco's other businesses, namely, investment activity other than Wes-FIC's and parent company operations.

In October 1993, Mutual Savings discontinued as a regulated savings and loan association, and, effective January 1, 1994, it merged into Wes-FIC (see Item 1, Business, for further information). As a result, (1) several traditional items of revenue and expense -- notably interest income on loans, interest expense on savings accounts and operating expenses -- have wholly or partially disappeared, with the remaining items such as income from indirect mortgage lending transferred to the insurance segment, and (2) revenues and expenses of other Wesco entities previously included in the financial segment are no longer identified with any specific business segment (see next section).

Following is a summary of the components of Mutual Savings' "normal" net operating income (in thousands) for the years 1993 and 1992:

	1993	
Revenues:		
Interest on loans and mortgage-backed securities	$ 7,869	$
Interest on temporary cash investments	1,546	
Dividends on preferred and common stocks	6,336	
Interest on state and municipal bonds	--	
Other	687	
	16,438	
Expenses:		
Interest on savings accounts	5,836	
Interest on notes payable	1,662	
Operating expenses	4,052	
Provision for losses on loans and foreclosed real estate	2,875	
	14,425	
Income before income tax provision or benefit	2,013	
Income tax (provision) benefit	445	
"Normal" net operating income	$ 2,458	$

As shown in the foregoing table, had it not been for a significant increase in provision for losses on loans and real estate held for sale in 1993 (mainly a

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ual Savings' "normal" net
nd 1992:

	1993	1992
....	$ 7,869	$16,662
....	1,546	1,223
....	6,336	5,472
....	--	190
....	687	466
	16,438	24,013
....	5,836	12,021
....	1,662	1,475
....	4,052	5,249
estate.............	2,875	650
	14,425	19,395
....	2,013	4,618
....	445	(871)
....	$ 2,458	$ 3,747

n for a significant increase
d for sale in 1993 (mainly a

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$2 million pre-tax writedown of the Montecito development at the end of 1993), Mutual Savings' "normal" net operating income for 1993 would have been comparable to that of 1992.

Other Than Identified Business Segments

Set forth below is a summary of "normal" net operating income for items not identified with any business segment -- insurance, industrial, or (formerly) financial (amounts are in thousands):

	YEAR ENDED DECEMBER	
	1994	1993
Dividend and interest income other than Wes-FIC's and Mutual Savings'	$ 6,308	$ 5,838
Rental income, less expenses, from commercial real estate	1,453	2,062
Interest expense	(4,571)	(3,364)
General and administrative expenses	(1,544)	(1,020)
Provision for losses on loans and foreclosed real estate	(3,000)	--
Other items, net	(492)	159
Income (loss) before income tax provision or benefit	(1,846)	3,675
Income tax (provision) benefit	2,023	(161)
"Normal" net operating income	$ 177	$ 3,514

As explained more fully in the fourth and fifth paragraphs of Item 1, Business, effective with the beginning of 1994, the financial segment was discontinued, and certain relatively insignificant activities previously included in that segment are no longer identified with any specific business segment. These activities include (1) investment activity other than Wes-FIC's, (2) management of owned commercial real estate, (3) development and liquidation of foreclosed real estate and delinquent loans formerly owned by Mutual Savings, and (4) parent company operations. The 1994 figures shown in the foregoing table reflect the new classification.

In addition, to facilitate comparison, extraneous amounts that were included in the financial segment in 1993 and 1992 because they were more closely related to that segment than the other two business segments have been removed from financial segment operating figures and included in the foregoing table. These include amounts relating to (1) investment activity other than Wes-FIC's and Mutual Savings', (2) management of owned commercial real estate, and (3) other operations of the parent company and, after activation late in 1993, MS Property.

In reclassifying figures for 1993 and 1992, however, revenues and expenses that were integral to Mutual Savings' operation have not been removed from the financial segment and included in the foregoing table. As a result, general and administrative expenses and other items applicable to development and liquidation of foreclosed real estate and delinquent loans are included in the 1994 figures in the foregoing table but not those of 1993 and 1992. Also, the provision for losses on loans and real estate of $3.0 million in 1994 has no prior year counterparts in the foregoing table; the 1993 and 1992 loss provisions were $2.9 million and $0.7 million, as shown in the financial segment table on the previous page.

Nonsegment interest expense was much higher in 1994 than in either of the preceding years principally as a result of borrowings from Wes-FIC made late in 1993 to facilitate the transfer of loans and foreclosed properties to MS Property; 1994 insurance segment income benefited accordingly.

Rental income declined in each of the last two years due mainly to the

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erating income for items not
ndustrial, or (formerly)

	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
d			
....	$ 6,308	$ 5,838	$ 5,881
state...	1,453	2,062	2,208
....	(4,571)	(3,364)	(3,189)
....	(1,544)	(1,020)	(933)
tate....	(3,000)	--	--
....	(492)	159	173
....	(1,846)	3,675	4,140
....	2,023	(161)	(364)
....	$ 177	$ 3,514	$ 3,776

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change in major tenant: Mutual Savings' large headquarters operation was replaced by a smaller CenFed branch operation.

The income tax provision or benefit on Wesco's nonsegment activities has fluctuated as a percentage of the pre-tax income or loss from such activities. These fluctuations have been caused mainly by fluctuations in the relationship of substantially tax-exempt dividend income to total pre-tax income or loss from such activities.

* * * * *

Management's long-term goal is to maximize gain in Wesco's intrinsic business value per share, 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, or (2) the desire for funds for an acquisition or repayment of debt.

Realized gains and losses on investments have been an element of Wesco's net income for a number of years. The amounts of these gains or losses, recorded when securities are sold or when a decline in market value of an investment is considered to be other than temporary, 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 or loss has no predictive value, and variations in amount from period to period have no practical analytical value, particularly in view of the existence of substantial net unrealized price appreciation in Wesco's consolidated investment portfolio.

In 1994 Wesco realized net after-tax gains on sales of securities of $0.2 million; it also wrote down the carrying value of an investment believed to have declined in market value other than temporarily by $5.9 million after income tax effect (see Note 2 to Wesco's consolidated financial statements for further information as to Wesco's investment in preferred stock of USAir Group, Inc.). Realized securities gains amounted to $1.2 million and $0.1 million after income taxes in 1993 and 1992.

As explained in the second paragraph of this Item 7, unrealized appreciation of all Wesco's marketable equity securities -- not just those of its Wes-FIC insurance subsidiary, as in the past -- is included in the consolidated balance sheet net of deemed applicable income taxes, effective as of 1993 yearend. The Financial Accounting Standards Board required (in SFAS No. 115) that the net writeup be credited directly to shareholders' equity without figuring in any way in the determination of net income, the same, sensible procedure that had been followed for insurance entities. However, in another pronouncement (SFAS No. 109) -- which required, among other things, adjusting deferred income tax liabilities to reflect tax rate changes -- the FASB directed that all such tax adjustments not bypass net income; thus, Wesco's 1993 net income was penalized by $1.6 million due to an increase in the federal rate from 34% to 35% on Wes-FIC's unrealized appreciation, notwithstanding the fact that the appreciation had never benefited net income.

Wesco's consolidated revenues include significant amounts of substantially tax-exempt dividend income from preferred and common stocks as well as fully tax-exempt interest on state and municipal bonds. 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, and $2.1 million in 1993 to give effect to the tax rate increase applicable to deferred tax items (including the $1.6 million discussed in the preceding paragraph) -- have resulted in tax provisions as percentages of pre-tax income before cumulative effect of change in accounting principle of 8.6%, 21.3% and 80.7% in 1994, 1993 and 1992. (See Note 5 to the accompanying consolidated financial statements for further information on income taxes.)

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 above, in October 1993, Mutual Savings, after transferring savings accounts and some mortgage loans to CenFed, gave up its status as a regulated

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savings and loan association. Then, on January 1, 1994, Mutual Savings merged into Wes-FIC, which continues to engage in the indirect mortgage lending business. The merger not only resulted in elimination of nonproductive overhead needed to maintain compliance with savings and loan laws and regulations, but also increased reinsurance capacity and asset-deployment options, enabling Wes-FIC to enter into the business of

super-cat reinsurance in 1994. It is hoped that the restructuring of Wesco's consolidated operations will result in further benefits in the future.

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 1995 annual meeting of shareholders (the "1995 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 1995 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

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Thereof" in the 1995 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain information set forth in the sections "Election of Directors," "Board of Director Interlocks and Insider Participation" and "Compensation of Directors and Executive Officers" in the 1995 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.

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).

Instruments defining the rights of holders of long-term debt of registrant and its subsidiaries are not being filed since the total amount of securities authorized by all such instruments does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis as of December 31, 1994. The Registrant hereby agrees to furnish to the Commission upon request a copy of any such debt instrument to which it is a party.

10.1 Purchase of Assets and Liability Assumption Agreement dated May 10, 1993, among Mutual Savings and Loan Association, Wesco Financial Corporation and CenFed Bank, A Federal Savings Bank (incorporated by reference to Wesco's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).

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, 1994.

*** D09 ***
19

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 Chairman of the Board (principal executive officer)	March 2
By:	Robert H. Bird Director President (principal operating officer)	March 2
By:	Jeffrey L. Jacobson Vice President and Chief Financial Officer (principal financial officer)	March 2

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 28
Carolyn H. Carlburg Director	March 28
James N. Gamble Director	March 28
Charles T. Munger Director	March 28

*** D10 ***

he Securities Exchange Act
to be signed on its behalf

March 28, 1995

icer)

March 28, 1995

March 28, 1995

Exchange Act of 1934, this
s on behalf of the
dicated.

March 28, 1995

March 28, 1995

March 28, 1995

March 28, 1995

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, 1994 and 1993, 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, 1994. Our audits also included the financial statement schedule listed in the index at Item 8. These financial statements and the financial statement schedule are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule 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, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 1993 the Company changed its methods of accounting for income taxes and investments to conform with recent pronouncements of the Financial Accounting Standards Board.

Deloitte & Touche LLP

Los Angeles, California
March 9, 1995

WESCO FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEET
(DOLLAR AMOUNTS IN THOUSANDS)

	DECEMBER 31	
	1994	
ASSETS		
Cash and temporary cash investments	$ 15,800	$
Investments:		
Securities with fixed maturities	183,089	2
Marketable equity securities	696,261	6
Accounts receivable	6,501	
Real estate held for sale	23,414	
Property and equipment	14,279	
Other assets	22,417	
	$961,761	$9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Insurance losses and loss adjustment expenses	$ 39,785	$
Income taxes payable, principally deferred	191,858	1
Notes payable	37,557	
Other liabilities	14,414	
	283,614	2
Shareholders' equity:		
Capital stock, $1 par value -- authorized, 7,500,000 shares; issued and outstanding, 7,119,807 shares	7,120	
Capital surplus arising from stock dividends	23,319	
Unrealized appreciation of investments, net of taxes	349,122	3
Retained earnings	298,586	2
Total shareholders' equity	678,147	6
	$961,761	$9

See accompanying notes to consolidated financial statements.

*** E01 ***

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S)

	DECEMBER 31,	
	1994	1993
....	$ 15,800	$ 5,230
....	183,089	202,126
....	696,261	639,958
....	6,501	6,962
....	23,414	29,935
....	14,279	13,907
....	22,417	17,037
	$961,761	$915,155
....	$ 39,785	$ 53,818
....	191,858	180,722
....	37,557	37,896
....	14,414	16,632
	283,614	289,068
00 shares; issued		
....	7,120	7,120
....	23,319	23,319
es................	349,122	309,057
....	298,586	286,591
....	678,147	626,087
	$961,761	$915,155

tements.

WESCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS

(DOLLAR AMOUNTS IN THOUSANDS EXCEPT FOR AMOUNTS PER SHARE)

	YEAR ENDED DECEMBER 31,		
	1994	1993	
Revenues:			
Insurance premiums earned	$ 1,133	$ 12,158	$
Sales and service revenues	62,143	63,627	
Interest and dividends on investments other than mortgage-backed securities	26,207	28,152	
Interest on loans and mortgage-backed securities	2,810	7,952	
Gains, net, on sales of securities and foreclosed property	323	1,783	
Gain on disposition of Mutual Savings' loans and deposits	--	1,577	
Other	2,842	2,109	
	95,458	117,358	1
Costs and expenses:			
Insurance losses, loss adjustment and underwriting expenses	(571)	12,894	
Cost of services and products sold	49,459	51,570	
Interest on savings accounts	--	5,792	
Selling, general and administrative expenses	13,713	16,051	
Interest on notes payable	3,092	4,610	
Other-than-temporary decline in value of investment in USAir Group, Inc. preferred stock	9,000	--	
Loss on sale of New America Electric	--	2,700	
	74,693	93,617	1
Income before income taxes and cumulative effect of change in accounting for income taxes	20,765	23,741	
Provision for income taxes	(1,793)	(5,046)	(
Income before cumulative effect of change in accounting for income taxes	18,972	18,695	
Cumulative effect of change in accounting for income taxes	--	1,023	
Net income	18,972	19,718	
Retained earnings -- beginning of year	286,591	273,566	2
Cash dividends declared and paid	(6,977)	(6,693)	
Retained earnings -- end of year	$298,586	$286,591	$2
Amounts per share based on 7,119,807 shares outstanding throughout each year:			
Net income before cumulative effect of change in accounting for income taxes	$ 2.66	$ 2.63	$
Cumulative effect of change in accounting for income taxes	--	0.14	
Net income	$2.66	$2.77	

*** E03 ***

N
COME

MOUNTS PER SHARE)

	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
....	$ 1,133	$ 12,158	$ 19,587
....	62,143	63,627	65,438
....	26,207	28,152	28,186
....	2,810	7,952	16,688
....	323	1,783	105
....	--	1,577	--
....	2,842	2,109	1,811
	95,458	117,358	131,815
....	(571)	12,894	20,779
....	49,459	51,570	52,491
....	--	5,792	11,986
....	13,713	16,051	15,813
....	3,092	4,610	4,872
t in			
....	9,000	--	--
....	--	2,700	--
	74,693	93,617	105,941
....	20,765	23,741	25,874
....	(1,793)	(5,046)	(20,873)
ing			
....	18,972	18,695	5,001
....	--	1,023	--
....	18,972	19,718	5,001
....	286,591	273,566	274,972
....	(6,977)	(6,693)	(6,407)
....	$298,586	$286,591	$273,566
ing			
....	$ 2.66	$ 2.63	$ .70
me			
....	--	0.14	--
....	$2.66	$2.77	$ .70

*** E04 ***

Cash dividends..	$ .98	$ .94

See accompanying notes to consolidated financial statements.

*** E05 ***

....	$ .98	$ .94	$ .90

tements.

WESCO FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLAR AMOUNTS IN THOUSANDS)

	YEAR ENDED DEC	
	1994	1993
Cash flows from operating activities:		
Net income	$ 18,972	$ 19,7
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, deposits and loans of Mutual Savings, and interest in New America Electric, before taxes	(323)	(6
Other-than-temporary decline in value of investment in USAir Group, Inc. preferred stock	9,000	
Provision for depreciation and amortization	1,704	1,7
Provision for losses on loans and real estate held for sale	3,000	2,8
Increase (decrease) in liabilities for losses and loss adjustment expenses of insurance business	(14,033)	(7,7
Increase (decrease) in income taxes payable currently	(7,198)	1
Increase in deferred income taxes payable associated with recapture of Mutual Savings' special bad debt deductions	--	
Cumulative effect of change in accounting for income taxes	--	(1,0
Other, net	4,099	(2,6
Net cash provided by operating activities	15,221	12,4
Cash flows from investing activities:		
Real estate loan originations	(1,100)	(1,4
Principal collections on real estate loans	66	15,6
Purchases of securities with fixed maturities	(20,637)	(10,3
Proceeds from maturities and redemptions of securities with fixed maturities	35,889	44,4
Proceeds from sales of marketable equity securities	--	6,6
Purchases of marketable equity securities	--	(3,0
Payment to savings institution for its assumption of Mutual Savings' savings accounts and certain other liabilities (totaling $219,604), less its acquisition of loans and certain other assets (totaling $84,997)	--	(134,6
Other, net	(1,453)	(3,1
Net cash provided (used) in investing activities	12,765	(86,0
Cash flows from financing activities:		
Net decrease in savings accounts	--	(31,0
Short-term borrowings from affiliates	--	84,5
Repayments of notes and short-term borrowings	(10,439)	(91,6
Payment of cash dividends	(6,977)	(6,6
Net cash used in financing activities	(17,416)	(44,8
Increase (decrease) in cash, including temporary cash investments	10,570	(118,4
Cash, including temporary cash investments -- beginning of		

*** E07 ***

N
FLOWS
S)

	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
....	$ 18,972	$ 19,718	$ 5,001
including			
g			
d property,			
erest in New			
....	(323)	(660)	(105)
ent in USAir			
....	9,000	--	--
....	1,704	1,774	1,864
ld for			
....	3,000	2,875	650
d loss			
....	(14,033)	(7,708)	2,234
ently.......	(7,198)	127	(841)
ated with			
....	--	--	17,500
come			
....	--	(1,023)	--
....	4,099	(2,686)	(1,358)
....	15,221	12,417	24,945
....	(1,100)	(1,471)	(16,879)
....	66	15,629	14,861
....	(20,637)	(10,395)	--
ties			
....	35,889	44,426	103,233
s...........	--	6,624	--
....	--	(3,091)	(714)
Mutual			
ities			
and certain			
....	--	(134,607)	--
....	(1,453)	(3,183)	(581)
ies.........	12,765	(86,068)	99,920
....	--	(31,008)	(36,292)
....	--	84,500	--
....	(10,439)	(91,623)	(310)
....	(6,977)	(6,693)	(6,407)
....	(17,416)	(44,824)	(43,009)
h			
....	10,570	(118,475)	81,856
ing of			

*** E08 ***

year..	5,230	123,7
Cash, including temporary cash investments -- end of year.......	$ 15,800	$ 5,2
Supplementary disclosures:		
Interest paid during year.....................................	$ 3,109	$ 10,9
Income taxes paid, net, during year...........................	11,038	4,9

See accompanying notes to consolidated financial statements.

*** **E09** ***

....	5,230	123,705	41,849
year.......	$ 15,800	$ 5,230	$123,705
....	$ 3,109	$ 10,963	$ 17,698
....	11,038	4,980	4,213

tements.

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 1994 consolidated financial statements of Wesco include the accounts of Wesco and its subsidiaries, which are all either directly or indirectly wholly owned. These subsidiaries -- most importantly , Wesco-Financial Insurance Company ("Wes-FIC"), Precision Steel Warehouse, Inc. ("Precision Steel") and MS Property Company ("MS Property") -- are engaged in diverse businesses. The 1993 and 1992 consolidated financial statements include the results of operations of wholly owned Mutual Savings and Loan Association ("Mutual Savings" -- see below) and approximately 80%-owned New America Electrical Corporation ("New America Electric"); the latter sold its business assets in mid-1993 and liquidated shortly thereafter, with Wesco realizing an after-tax loss of $1,617, or $.23 per share. See Note 8 for Wesco's consolidated financial information classified by business segment.

On October 8, 1993, Mutual Savings consummated an agreement with CenFed Bank, A Federal Savings Bank ("CenFed"), following receipt of regulatory approvals. Mutual Savings transferred its savings accounts and certain other liabilities (totaling about $220,000) to CenFed, offset by (1) substantially all of its real estate loans and certain other non-cash assets (about $86,000, combined) and cash (about $134,000). Pursuant to the agreement, Wesco loaned $4,000 to CenFed's parent corporation for a three-year period, with interest at prime rate initially, at 7% beginning in October 1994, and at 8% beginning in October 1995. In addition, Mutual Savings and Wesco jointly agreed to indemnify CenFed to the extent of at least 90% with respect to any losses that might be sustained on the loans transferred. After provision for indemnification for any such losses, the CenFed transaction resulted in an after-tax gain of $906, or $.13 per Wesco share.

Following completion of the foregoing transaction, (1) Mutual Savings transferred certain assets, consisting principally of Mutual Savings' foreclosed real estate and several real estate loans that were not sold to CenFed, to MS Property, which is continuing the liquidation of those assets, and (2) Wesco transferred to MS Property its commercial real estate property in Pasadena, California.

Mutual Savings retained 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. Immediately after 1993 yearend Mutual Savings merged into Wes-FIC, which continues to engage in indirect real estate lending.

Late in 1993, Mutual Savings gave up its regulatory savings and loan status. The decision to do so, which was made late in 1992, subjected to income taxes $47,314 of earnings that had been previously sheltered due to the availability of special savings and loan tax-basis bad debt deductions. Wesco's 1992 net income was therefore negatively impacted by the large related income tax expense of $17,500, or $2.46 per share (see Note 5).

Effective January 1, 1993, Wesco adopted SFAS No. 109, "Accounting for Income Taxes." One result was a $1,023 ($.14 per share) credit set forth separately on the 1993 statement of income and retained earnings as the cumulative effect of a change in accounting for income taxes. Adoption of SFAS No. 109 resulted also in an increase in the 1993 provision for income taxes, and a reduction in 1993 net income of $2,107, or $.30 per share (see Note 5).

*** **E11** ***

Another accounting pronouncement, SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," had a very significant impact on Wesco's consolidated balance sheet at 1993 yearend. Marketable equity securities of all Wesco entities -- not just its Wes-FIC insurance subsidiary, as in the past -- were written up to market value rather than stated at the lower of aggregate cost or market. The unrealized appreciation recorded by the non-insurance entities, less deemed applicable income taxes, was credited directly to shareholders' equity, which thereby increased $188,780, or $26.51 per share (see Note 2).

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

NOTE 2. INVESTMENTS

Temporary cash investments consist of funds invested in money-market accounts and other highly liquid investments maturing in less than three months from date acquired.

Management determines the appropriate classifications of investments in securities with fixed maturities and marketable equity securities at the time of purchase and reevaluates such designations as of each balance sheet date. There are three permissible classifications: held-to-maturity; available-for-sale; and trading. Securities are deemed to be held-to-maturity securities when both the ability and the positive intent to hold them to maturity are present; they are carried on the consolidated balance sheet at cost and adjusted for any accretion of discount or amortization of premium using a method that produces approximately level yield. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of deemed applicable income taxes, reported in a separate component of shareholders' equity; there is no effect on net income, except to reflect changes in income tax rates relating to such unrealized gains and losses (see Note 5 re recording of rate changes in 1993). Realized gains and losses on sales of investments, determined on a specific identification basis, are included in the consolidated statement of income, as are other-than-temporary declines in fair value.

Investments in securities with fixed maturities, effective with the first quarter of 1994, have been classified as available-for-sale and, accordingly, carried at fair value, with the net unrealized gain or loss included in the component of shareholders' equity previously established for unrealized appreciation of securities. As of December 31, 1993, they were classified as held-to-maturity. The change in classification of these investments conformed Wesco's financial reporting for such investments to its financial reporting for marketable equity securities and resulted in an increase in Wesco's shareholders' equity ($3,482 or $.49 per share as of yearend 1994). There was no effect on Wesco's net income. No investments were held for trading purposes at December 31, 1994 or 1993.

Dollar amounts in thousands except for amounts per share

Following is a summary of securities with fixed maturities:

	DECEMBER 31, 1994		
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZ LOSSES
Mortgage-backed securities........................	$ 32,495	$ 32	$ (1,14
Preferred stocks --			
Salomon Inc, 9%................................	100,000	5,000	-
Champion International Corporation, 9.25%........	23,000	1,150	-
USAir Group, Inc., 9.25%........................	3,000*	--	-
State and municipal bonds........................	13,612	640	-
Other..	5,346	--	(4
	$ 177,453	$6,822	$ (1,18

	DECEMBER 31, 1993		
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZ LOSSES
Mortgage-backed securities........................	$ 45,848	$ 511	$ -
Preferred stocks --			
Salomon Inc, 9%................................	100,000	25,000	-
Champion International Corporation, 9.25%........	23,000	1,150	-
USAir Group, Inc., 9.25%........................	12,000	--	(3,00
State and municipal bonds........................	21,278	1,027	-
	$ 202,126	$ 27,688	$ (3,00

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*Net of writedown (see below).

The preferred stocks 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.'s redemption requirement is stated below.

The USAir Group, Inc. investment -- 12,000 shares of USAir Group, Inc. Series A Cumulative Convertible Preferred Stock ("USAir Preferred Shares") -- was made in 1989 for $12,000 as part of a $358,000 investment in 358,000 shares in which other subsidiaries of Berkshire participated. If not called or converted prior to August 7, 1999, the USAir Preferred Shares are mandatorily redeemable by USAir Group, Inc. ("USAir") at $1,000 per share ($358,000 in the aggregate, of which Wesco's share would be $12,000), plus accrued dividends.

*** A02 ***

maturities:

DECEMBER 31, 1994			
AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
$ 32,495	$ 32	$ (1,140)	$ 31,387
100,000	5,000	--	105,000
23,000	1,150	--	24,150
3,000*	--	--	3,000
13,612	640	--	14,252
5,346	--	(46)	5,300
$ 177,453	$6,822	$ (1,186)	$ 183,089

DECEMBER 31, 1993			
AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
$ 45,848	$ 511	$ --	$ 46,359
100,000	25,000	--	125,000
23,000	1,150	--	24,150
12,000	--	(3,000)	9,000
21,278	1,027	--	22,305
$ 202,126	$ 27,688	$ (3,000)	$ 226,814

on with purchases made by
ible into common stock and
Salomon Inc must redeem 20%
ncing in 1995, to the extent
n must redeem its preferred
r converted. USAir Group,

es of USAir Group, Inc.
Air Preferred
a $358,000 investment in
ire participated. If not
ir Preferred Shares are
) at $1,000 per share
ould be $12,000), plus

*** **A03** ***

On September 29, 1994, USAir announced that it was deferring the quarterly dividend payment due September 30, 1994 on the USAir Preferred Shares. As of March 7, 1995, neither that dividend nor the quarterly dividend due December 31, 1994 had been received. USAir has publicly stated that its ability to survive in the low fare competitive environment is contingent upon USAir's ability permanently to reduce its operating costs through reductions in personnel costs and other cost saving initiatives. USAir management is currently engaged in discussions with the leadership of its unionized employees to achieve its goal of reducing personnel costs. While USAir's management has stated it is committed to reaching an agreement with the labor groups, both the timing and the outcome of the negotiations are uncertain.

Dollar amounts in thousands except for amounts per share

As a result of the extended period of losses and the uncertainty surrounding the outcome of the labor negotiations, Berkshire and Wesco management have concluded that an other-than-temporary decline in the value of the USAir Preferred Shares has arisen. Accordingly, Wesco's 1994 consolidated statement of income includes a charge of $9,000, or $5,850 after income taxes, to reflect the decline. The $5,850 net charge to earnings was recorded in the fourth quarter of 1994. Shareholders' equity, however, had already been reduced by the same after-tax amount in earlier 1994 reporting periods: (1) at March 31, 1994, when securities with fixed maturities were first carried at fair value (see third paragraph of Note 2 above), the carrying value of the USAir Preferred Shares was adjusted downward to reflect its then estimated fair value of $6,000, and the after-tax effect of the resulting $6,000 reduction was charged to the separate component of shareholders' equity established for unrealized appreciation; (2) at September 30, 1994, an additional downward adjustment of the shareholders' equity component was made to reflect a further reduction of estimated fair value of the investment to $3,000, which also represents its estimated fair value as of December 31, 1994.

Following is a summary of marketable equity securities:

	DECEMBER 31, 1994		DECEMBER
	COST	MARKET AND CARRYING VALUE	COST
Freddie Mac common stock...............	$ 71,729	$363,600	$ 71,729
The Coca-Cola Company common stock.....	40,761	185,544	40,761
The Gillette Company common stock......	40,000	119,800	40,000
Other..................................	14,265	27,317	14,265
	$166,755	$696,261	$166,755

At 1994 and 1993 yearends, the market values of marketable equity securities contained $152 and $139 of unrealized losses.

NOTE 3. REAL ESTATE HELD FOR SALE

Real estate held for sale represents property owned by MS Property and acquired through foreclosure by Mutual Savings or itself. It is stated on the accompanying consolidated balance sheet at cost, less any writedowns and valuation allowances. The principal property is a 22-acre parcel of largely oceanfront land near Santa Barbara, California, where a luxury development consisting of townhomes and residential lots has been in process of construction and sale for a number of years. The net book value of the project decreased to $18,816 at 1994 yearend from $23,238 one year earlier, reflecting mainly a $3,000 writedown of the development to estimated net realizable value, following a similar $2,000 writedown in 1993.

Dollar amounts in thousands except for amounts per share

*** A05 ***

d the uncertainty
erkshire and Wesco
ry decline in the value of
Wesco's 1994 consolidated
$5,850 after income taxes,
nings was recorded in the
r, had already been reduced
ng periods: (1) at March 31,
st carried at fair value
value of the USAir Preferred
imated fair value of $6,000,
uction was charged to the
ed for unrealized
al downward adjustment of
ct a further reduction of
ich also represents its

urities:

ER 31, 1994	DECEMBER 31, 1993	
MARKET AND CARRYING VALUE	COST	MARKET AND CARRYING VALUE
$363,600	$ 71,729	$359,100
185,544	40,761	160,775
119,800	40,000	95,400
27,317	14,265	24,683
$696,261	$166,755	$639,958

marketable equity
ses.

wned by MS Property and
self. It is stated on the
s any writedowns and
-acre parcel of largely
e a luxury development
n in process of construction
f the project decreased to
r, reflecting mainly a
realizable value, following

mounts per share

NOTE 4. INSURANCE LIABILITIES

Wes-FIC's insurance business to date has consisted mainly of participations in property and casualty reinsurance contracts of Berkshire's principal insurance subsidiary.

Wes-FIC recognizes insurance premiums as earned revenues pro rata over the term of each contract on all forms of insurance except for catastrophic excess of loss ("super-cat") reinsurance contracts. Premiums on super-cat reinsurance contracts are not recognized as earned until the earlier of a loss occurrence or contract expiration, in order to avoid premature recognition of underwriting profits.

Following is a summary of Wes-FIC's liabilities for unpaid losses and loss adjustment expenses for each of the past three years:

	1994	1993	199
Balance at beginning of year	$53,818	$61,526	$60,
Incurred losses recorded during year --			
For current year	1,982	10,076	14,
For all prior years*	(3,967)	(1,060)	
Total incurred losses	(1,985)	9,016	14,
Payments made during year --			
For current year	1,465	5,666	5,
For all prior years	10,583	11,058	7,
Total payments	12,048	16,724	13,
Balance at end of year	$39,785	$53,818	$61,

----

* Includes adjustments of estimated losses provided for in prior years.

Unearned insurance premiums of $8,872 and $1,015 at December 31, 1994 and 1993 are included in other liabilities on the accompanying consolidated balance sheet.

NOTE 5. TAXES ON INCOME

Following is a breakdown of income taxes payable at 1994 and 1993 yearends:

	1994	1993
Current (payable within one year)	$ 136	$ 7,715
Deferred (payable subsequently)	191,722	173,007
Income taxes payable	$191,858	$180,722

Effective January 1, 1993, Wesco adopted SFAS No. 109, "Accounting for Income Taxes." This statement requires that income taxes be calculated under the

*** A07 ***

ted mainly of participations
rkshire's principal

revenues pro rata over the
pt for catastrophic excess
s on super-cat reinsurance
lier of a loss occurrence or
ognition of underwriting

for unpaid losses and loss
:

	1994	1993	1992
....	$53,818	$61,526	$60,252
....	1,982	10,076	14,723
....	(3,967)	(1,060)	21
....	(1,985)	9,016	14,744
....	1,465	5,666	5,901
....	10,583	11,058	7,569
....	12,048	16,724	13,470
....	$39,785	$53,818	$61,526

for in prior years.

5 at December 31, 1994 and
anying consolidated balance

e at 1994 and 1993 yearends:

	1994	1993
....	$ 136	$ 7,715
....	191,722	173,007
....	$191,858	$180,722

o. 109, "Accounting for
axes be calculated under the

*** **A08** ***

asset and liability method, rather than the deferred method used in prior years. Under the deferred method, differences between financial reporting and tax-return reporting in the timing of revenues and expenses were multiplied by tax rates then in effect, and the resulting taxes or benefits were deferred on the financial statements as income taxes payable or prepaid income taxes; the financial statements were not adjusted subsequently to reflect changes in tax rates. Under the asset and liability method, balances of revenue and expense timing differences at a balance sheet date (i.e., amounts of these temporary differences that will disappear in the future) are multiplied by the tax rates in effect at the balance sheet date, with the results deferred on the financial statements as net deferred tax liabilities or assets; thus, under this method the financial statements are automatically adjusted for changes in tax rates when they occur.

The cumulative effect of adopting SFAS No. 109 on Wesco's consolidated financial statements caused a reduction in the liability for deferred income taxes and an increase in after-tax income of

$1,023 ($.14 per share) as of January 1, 1993. This amount is reported on the accompanying consolidated statement of income and retained earnings as the cumulative effect of a change in accounting principle. Prior year financial statements have not been restated.

In August 1993, the federal corporate tax rate was raised from 34% to 35% retroactive to January 1, 1993. SFAS No. 109 requires that the entire effect of a change in tax rate be recognized in the determination of net income in the period enacted. Accordingly, Wesco's tax provision and, thus, net income for the current year include not only the relatively minor effect of the one-percentage-point increase in the federal rate on 1993 pre-tax income, but also charges for the effect of the rate increase on two deferred tax liabilities that originated in prior years: (1) $1,607 associated with unrealized appreciation of marketable equity securities of Wes-FIC (notwithstanding that the gains, themselves, have not yet figured in the determination of consolidated net income); and (2) $500 associated with the recapture of Mutual Savings' special bad debt tax deductions (see below).

The consolidated statement of income contains a provision for income taxes (before the $1,023 cumulative effect of change in accounting for income taxes recorded in 1993) as follows:

	1994	1993	199
Federal	$ 1,681	$ 4,245	$18,
State	112	801	2,
Provision for income taxes	$ 1,793	$ 5,046	$20,
Current	$ 4,465	$ 9,450	$ 3,
Deferred	(2,672)	(4,404)	17,
Provision for income taxes	$ 1,793	$ 5,046	$20,

SFAS No. 109 required certain disclosures relating to deferred tax assets and liabilities, effective with its adoption by Wesco in 1993, as set forth in the next table. The table following that presents certain prior information still required under the former rule.

Following is a summary of the tax effects of temporary differences that give rise to significant portions of deferred tax liabilities and deferred tax assets as of 1994 and 1993 yearends:

	1994	1993
Deferred tax liabilities, relating to --		
Unrealized appreciation of investments	$187,480	$164,1
Recapture of Mutual Savings' special bad debt tax deductions	9,379	12,1
Other items	4,184	1,7
	201,043	178,0
Deferred tax assets	(9,321)	(5,0
Net deferred tax liability	$191,722	$173,0

amount is reported on the
tained earnings as the
e. Prior year financial

was raised from 34% to 35%
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nd, thus, net income for the
ffect of the one-percentage-
ncome, but also charges for
liabilities that originated
d appreciation of marketable
he gains, themselves, have
net income); and (2) $500
cial bad debt tax deductions

provision for income taxes
counting for income taxes

	1994	1993	1992
....	$ 1,681	$ 4,245	$18,018
....	112	801	2,855
....	$ 1,793	$ 5,046	$20,873
....	$ 4,465	$ 9,450	$ 3,615
....	(2,672)	(4,404)	17,258
....	$ 1,793	$ 5,046	$20,873

ing to deferred tax assets
o in 1993, as set forth in
rtain prior information

mporary differences that
abilities and deferred tax

	1994	1993
....	$187,480	$164,146
tax		
....	9,379	12,139
....	4,184	1,733
	201,043	178,018
....	(9,321)	(5,011)
....	$191,722	$173,007

*** A11 ***

Following is a summary of the tax effects of timing differences for the year ended December 31, 1992:

	1992
Recapture of Mutual Savings' special bad debt tax deductions..............	$ 17,5
State income taxes deducted under different methods........................	1
Deferred insurance premium acquisition costs................................	7
Amortization of unearned insurance premiums.................................	(7
Discounting of losses and loss adjustment expense reserves of insurance business..	(2
Other, net...	(
Deferred portion of income tax provision..................................	$ 17,2

Dollar amounts in thousands except for amounts per share

*** **A12** ***

ming differences for the

	1992
x deductions...............	$ 17,500
ods........................	107
....	736
....	(749)
e reserves of insurance	
....	(283)
....	(53)
....	$ 17,258

mounts per share

Wesco's 1992 net income was negatively impacted by an unusual $17,500 increase in income tax expense resulting from Mutual Savings' decision in late 1992 to give up its status as a regulated savings and loan association. The tax provision related to $47,314 of undistributed retained earnings of Mutual Savings that had not been taxed due to the availability of special bad debt tax deductions to savings and loan associations. These deductions were not related to amounts of losses actually anticipated and were not charged against income for financial reporting purposes; if the association ceased to qualify as a regulated savings and loan association, such action would necessitate accrual and payment of income taxes. The tax liability is being paid over several years.

Following is a reconciliation of the statutory federal income tax rate with the effective income tax rate resulting in the provision for income taxes (before the $1,023 cumulative effect of change in accounting for income taxes recorded in 1993) appearing on the consolidated statement of income:

	1994	1993	1
Statutory federal income tax rate..........................	35.0%	35.0%	
Increase (decrease) resulting from:			
Recapture of Mutual Savings' special bad debt tax deductions..	--	--	
Tax-exempt interest income................................	(2.3)	(3.1)	
Exclusion from taxable income of a significant portion of dividend income......................................	(25.8)	(23.2)	(
Tax rate increase on net deferred tax liabilities........	--	8.9	
State income taxes, less federal tax benefit.............	0.9	1.2	
Other differences, net....................................	0.8	2.5	
Effective income tax provision rate.......................	8.6%	21.3%	

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 that member.

Federal income tax returns through 1988 have been examined by and settled with the Internal Revenue Service. A previously reported disagreement with the California Franchise Tax Board with respect to state issues affecting years 1980 through 1987 has been tentatively resolved, but not yet finalized, without significant effect on Wesco's consolidated financial statements.

Dollar amounts in thousands except for amounts per share

*** B02 ***

by an unusual $17,500
Savings' decision in late
d loan association. The tax
ed earnings of Mutual
ity of special bad debt tax
eductions were not related
ot charged against income
ceased to qualify as a
would necessitate accrual
ing paid over several years.

federal income tax rate with
sion for income taxes
counting for income taxes
ement of income:

	1994	1993	1992
....	35.0%	35.0%	34.0%
tax			
....	--	--	67.6
....	(2.3)	(3.1)	(5.0)
portion of			
....	(25.8)	(23.2)	(20.0)
ies........	--	8.9	--
....	0.9	1.2	3.0
....	0.8	2.5	1.1
....	8.6%	21.3%	80.7%

shire subsidiaries in the
r the Berkshire group. The
ong group members pursuant
aying or receiving an amount
idated taxes attributable to

en examined by and settled
rted disagreement with the
issues affecting years 1980
yet finalized, without
statements.

mounts per share

NOTE 6. NOTES PAYABLE

Following is a list of notes payable, at yearend:

	DECEMBER 31, 1994	DECEMB 19
Notes due November 1999, bearing interest at 8 7/8% payable semiannually..................................	$ 30,000	$ 30
Notes payable, collateralized by land, buildings and assignment of leases, due in monthly installments through February 2007 of $45 including interest at 9 1/4%..	3,922	4
Industrial revenue bonds due December 2014, bearing interest at 7.75% payable semiannually.................	2,600	2
Industrial revenue bonds, due in quarterly installments through December 1994 of $42 plus interest at 6 1/2%...	--	
Note payable, due December 1998, bearing interest at 10% payable monthly.......................................	1,035	1
	$ 37,557	$ 37

Notes payable at 1994 yearend mature as follows: 1995, $187; 1996, $205; 1997, $225; 1998, $1,282; 1999, $30,270; thereafter, $5,388.

Agreements relating to the 8 7/8% 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, 1994 and payable at December 31, 1993 were approximately $38,000 and $43,200. These figures were computed using discounted cash flow computations based upon estimates as to interest rates prevailing on those dates for comparable borrowings.

Dollar amounts in thousands except for amounts per share

*** B04 ***

d:

	DECEMBER 31, 1994	DECEMBER 31, 1993
/8%	$ 30,000	$ 30,000
and nts t at	3,922	4,094
ing	2,600	2,600
llments 6 1/2%...	--	167
t at 10%	1,035	1,035
	$ 37,557	$ 37,896

: 1995, $187; 1996, $205;
$5,388.

covenants, among others,
notes at par in the event
in compliance with all of

otes payable at December 31,
tely $38,000 and $43,200.
ow computations based upon
ates for comparable

mounts per share

NOTE 7. QUARTERLY FINANCIAL INFORMATION

Unaudited quarterly financial information for 1994 and 1993 follows:

	QUARTER ENDED		
	DECEMBER 31, 1994	SEPTEMBER 30, 1994	JUNE 30 1994
Total revenues	$22,937	$22,772	$24,156
Net income excluding unusual items	$ 6,126	$ 6,939	$ 5,63
Per share	.86	.97	.7
Unusual items, net of any applicable income tax effect	(5,851)(1)	(187)(2)	23
Per share	(.82)	(.02)	.0
Net income	$ 275	$ 6,752	$ 5,86
Per share	.04	.95	.8

	DECEMBER 31, 1993	SEPTEMBER 30, 1993	JUNE 30 1993
Total revenues	$ 25,759	$27,861	$ 30,72
Net income excluding unusual items and cumulative effect of change in accounting for income taxes	$ 4,700	$ 5,174	$ 5,23
Per share	.66	.73	.7
Unusual items, net of any applicable income tax effect	906(3)	(2,107)(4)	(1,61
Per share	.13	(.30)	(.2
Income before cumulative effect of change in accounting for income taxes	5,606	3,067	3,62
Per share	.79	.43	.5
Cumulative effect of change in accounting for income taxes	--	--	-
Per share	--	--	-
Net income	$ 5,606	$ 3,067	$ 3,62
Per share	.79	.43	.5

----

(1) Mainly, effect of adjustment of carrying value of investment in preferred stock of US Air Group, Inc. (see Note 2).

(2) Gains (losses) on sales of marketable securities and foreclosed properties.

(3) Gain on disposition by Mutual Savings of savings deposits and some loans (see Note 1).

(4) Mainly, effect of change in income tax rate on net deferred tax liabilities

*** B06 ***

994 and 1993 follows:

	QUARTER ENDED		
31,	SEPTEMBER 30, 1994	JUNE 30, 1994	MARCH 31, 1994
37	$22,772	$24,156	$25,593
26	$ 6,939	$ 5,632	$ 5,920
86	.97	.79	.83
51)(1)	(187)(2)	230(2)	163(2)
82)	(.02)	.03	.02
75	$ 6,752	$ 5,862	$ 6,083
04	.95	.82	.85

31,	SEPTEMBER 30, 1993	JUNE 30, 1993	MARCH 31, 1993
59	$27,861	$ 30,729	$33,009
00	$ 5,174	$ 5,238	$ 5,270
66	.73	.74	.74
06(3)	(2,107)(4)	(1,617)(5)	1,131(2)
13	(.30)	(.23)	.16
06	3,067	3,621	6,401
79	.43	.51	.90
--	--	--	1,023(6)
--	--	--	.14
06	$ 3,067	$ 3,621	$ 7,424
79	.43	.51	1.04

f investment in preferred

and foreclosed properties.

deposits and some loans

et deferred tax liabilities

*** B07 ***
(see Note 5).

(5) Loss on disposition of interest in New America Electric (see Note 1).

(6) Cumulative effect of adopting SFAS No. 109 (see Note 5).

Dollar amounts in thousands except for amounts per share

NOTE 8. BUSINESS SEGMENT DATA

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

The insurance segment includes the accounts of Wes-FIC.

The industrial segment includes the operating accounts of Precision Steel and its subsidiaries and, prior to July 1, 1993, of New America Electric.

Prior to 1994, there was also a financial segment, which included the accounts of Mutual Savings as well as accounts of other Wesco entities that, although not directly connected with an identified business segment, were more closely associated with the savings and loan business than any of Wesco's other businesses.

In October 1993, Mutual Savings discontinued as a regulated savings and loan association, and, effective January 1, 1994, it merged into Wes-FIC (see Note 1). As a result, several traditional financial institution items -- notably loans and savings accounts, together with related interest income and expense -- partially or wholly disappeared. Most of the remaining items were transferred to the insurance segment, while foreclosed real estate and troubled loans, together with related losses, expenses and revenues, were dissociated from either of the two remaining business segments. Also, other items previously included in the financial segment because they were more closely related to that segment than to the insurance or industrial segments disappeared or became relatively insignificant and are no longer identified with a business segment; these include (1) investments other than Wes-FIC's, together with related interest and dividend income and securities gains and losses, (2) commercial real estate properties, together with related revenues and expenses, and (3) the assets, revenues and expenses of the parent company.

	1994	1993	199
Revenues:			
Insurance	$26,354	$ 29,107	$ 35,
Industrial	62,492	63,959	65,
Financial	--	24,292	31,
Not identified with a business segment	6,612	--	
	$95,458	$117,358	$131,
Operating profit before taxes:			
Insurance	$17,800	$ 16,166	$ 14,
Industrial	4,811	3,604	3,
Financial	--	8,975	13,
Interest expense on notes payable	(3,092)	(4,610)	(4,
Not identified with a business segment	1,246	(394)	(
	$20,765	$ 23,741	$ 25,

Dollar amounts in thousands except for amounts per share

*** B09 ***

the three most recent years
ss segments.

Wes-FIC.

ccounts of Precision Steel
New America Electric.

nt, which included the
her Wesco entities that,
usiness segment, were more
s than any of Wesco's other

a regulated savings and
merged into Wes-FIC (see
institution items -- notably
terest income and
the remaining items were
ed real estate and troubled
venues, were dissociated
Also, other items previously
more closely related to that
disappeared or became
d with a business segment;
together with related
d losses, (2) commercial
es and expenses, and (3) the

	1994	1993	1992
......	$26,354	$ 29,107	$ 35,027
......	62,492	63,959	65,452
......	--	24,292	31,336
......	6,612	--	--
	$95,458	$117,358	$131,815
......	$17,800	$ 16,166	$ 14,216
......	4,811	3,604	3,298
......	--	8,975	13,532
......	(3,092)	(4,610)	(4,872)
......	1,246	(394)	(300)
	$20,765	$ 23,741	$ 25,874

mounts per share

*** B10 ***
34

The above revenue and pre-tax operating profit data include net gains (losses) on sales or writedowns of securities and foreclosed property, including, notably, the $9,000 writedown of USAir preferred stock explained in Note 2, as follows:

	1994	1993	199
Insurance	$(8,749)	$ 1,783	$
Financial	--	--	
Not identified with a business segment	72	--	
	$(8,677)	$ 1,783	$

Additional business segment data follow:

Capital expenditures:			
Industrial	$ 459	$ 1,762	$ 3
Financial	--	232	9
Not identified with a business segment	1,426	--	
	$ 1,885	$ 1,994	$ 1,3
Depreciation and amortization of tangible assets:			
Industrial	$ 890	$ 966	$ 9
Financial	--	350	3
Not identified with a business segment	932	--	
	$ 1,822	$ 1,316	$ 1,2
Identifiable assets at yearend:			
Insurance	$815,302	$444,250	$425,8
Industrial	33,504	29,544	32,0
Financial	--	441,361	407,0
Not identified with a business segment	112,955	--	
	$961,761	$915,155	$864,9

Dollar amounts in thousands except for amounts per share

*** B11 ***

data include net gains
reclosed property,
eferred stock explained in

	1994	1993	1992
......	$(8,749)	$ 1,783	$ --
......	--	--	105
......	72	--	--
	$(8,677)	$ 1,783	$ 105

....	$ 459	$ 1,762	$ 398
....	--	232	939
....	1,426	--	--
	$ 1,885	$ 1,994	$ 1,337
:			
....	$ 890	$ 966	$ 965
....	--	350	328
....	932	--	--
	$ 1,822	$ 1,316	$ 1,293
....	$815,302	$444,250	$425,868
....	33,504	29,544	32,058
....	--	441,361	407,033
....	112,955	--	--
	$961,761	$915,155	$864,959

mounts per share

WESCO FINANCIAL CORPORATION
SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

BALANCE SHEET
(DOLLAR AMOUNTS IN THOUSANDS)

	DECEMBER 31	
	1994	--
ASSETS		
Cash and temporary cash investments	$ 22	$
Convertible preferred stocks	60,900	
Investment in subsidiaries, at equity:		
Wes-FIC	622,886	3
Precision Steel	35,765	
MS Property	25,388	
Mutual Savings	--	2
Other	114	
Income taxes recoverable	--	
Other assets	5,174	
	$750,249	$6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes and advances payable	$ 69,670	$
Income taxes payable, principally deferred	1,947	
Other liabilities	485	
Total liabilities	72,102	
Shareholders' equity (see consolidated balance sheet)	678,147	6
	$750,249	$6

See notes to consolidated financial statements.

*** C01 ***

N
ION OF REGISTRANT

S)

	DECEMBER 31,	
	1994	1993
....	$ 22	$ 33
....	60,900	58,000
....	622,886	328,752
....	35,765	31,970
....	25,388	27,631
....	--	240,350
....	114	342
....	--	735
....	5,174	8,490
	$750,249	$696,303
DERS' EQUITY		
....	$ 69,670	$ 69,679
....	1,947	--
....	485	537
....	72,102	70,216
)................	678,147	626,087
	$750,249	$696,303

WESCO FINANCIAL CORPORATION
SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF INCOME AND RETAINED EARNINGS
(DOLLAR AMOUNTS IN THOUSANDS)

	YEAR ENDED DECEMBER 3		
	1994	1993	
Revenues:			
Dividends on preferred stocks	$ 5,240	$ 5,240	$
Rental of office, store and garage premises, less expenses	--	1,905	
Other	511	158	
	5,751	7,303	
Expenses:			
Interest on notes payable	3,911	3,332	
General and administrative	390	934	
Loss on sale of New America Electric	--	2,700	
	4,301	6,966	
Income before items shown below	1,450	337	
Income tax provision (benefit)	542	1,097	
Equity in undistributed earnings of subsidiaries	16,980	18,284	
Net income	18,972	19,718	
Retained earnings -- beginning of year	286,591	273,566	2
Cash dividends declared and paid	(6,977)	(6,693)	
Retained earnings -- end of year	$298,586	$286,591	$2

See notes to consolidated financial statements.

*** C03 ***

N
ION OF REGISTRANT

EARNINGS
S)

	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
....	$ 5,240	$ 5,240	$ 5,240
....	--	1,905	2,208
....	511	158	92
	5,751	7,303	7,540
....	3,911	3,332	3,189
....	390	934	933
....	--	2,700	--
	4,301	6,966	4,122
....	1,450	337	3,418
....	542	1,097	(123)
....	16,980	18,284	1,706
....	18,972	19,718	5,001
....	286,591	273,566	274,972
....	(6,977)	(6,693)	(6,407)
....	$298,586	$286,591	$273,566

WESCO FINANCIAL CORPORATION
SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

STATEMENT OF CASH FLOWS
(DOLLAR AMOUNTS IN THOUSANDS)

	YEAR ENDED DECEMBER	
	1994	1993
Cash flows from operating activities:		
Net income	$ 18,972	$ 19,718
Adjustments to reconcile net income with net cash, including temporary cash investments, provided by operating activities --		
Decrease (increase) in income taxes recoverable currently	1,492	(711)
Loss on sale of New America Electric	--	2,700
Equity in undistributed earnings of subsidiaries	(16,980)	(18,284)
Other, net	39	(3,742)
Net cash provided (used) in operating activities	3,523	(319)
Cash flows from investing activities:		
Cash receipts from sale of New America Electric	--	4,052
Other, net	289	(239)
Net cash provided (used) in investing activities	289	3,813
Cash flows from financing activities:		
Advances from subsidiaries, net	3,054	1,481
Payment of cash dividends	(6,977)	(6,693)
Other, net	100	430
Net cash used in financing activities	(3,823)	(4,782)
Decrease in cash, including temporary cash investments	(11)	(1,288)
Cash, including temporary cash investments -- beginning of year	33	1,321
Cash, including temporary cash investments -- end of year	$ 22	$ 33

See notes to consolidated financial statements.

*** C05 ***

N
ION OF REGISTRANT

S)

	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
....	$ 18,972	$ 19,718	$ 5,001
by			
....	1,492	(711)	(661)
....	--	2,700	--
s.........	(16,980)	(18,284)	(1,706)
....	39	(3,742)	596
vities....	3,523	(319)	3,230
....	--	4,052	--
....	289	(239)	(400)
vities....	289	3,813	(400)
....	3,054	1,481	2,500
....	(6,977)	(6,693)	(6,407)
....	100	430	(143)
....	(3,823)	(4,782)	(4,050)
ts........	(11)	(1,288)	(1,220)
ing of	33	1,321	2,541
year.....	$ 22	$ 33	$ 1,321

*** C06 ***

EXHIBIT 3(a)

Filed
in the Office of the Secretary of State
in the State of California March 23, 1959

CERTIFICATE OF INCORPORATION
of
WESCO FINANCIAL CORPORATION

The undersigned DO HEREBY CERTIFY as follows:

FIRST: The name of the corporation is WESCO FINANCIAL CORPORATION.

SECOND: The principal office of the corporation in the State of Delaware is located at 129 South State Street, in the City of Dover, County of Kent. The name and address of its resident agent is United States Corporation Company, 129 South State Street, in the City of Dover, County of Kent, State of Delaware.

THIRD: The nature of the business of the corporation and the objects and purposes proposed to be transacted, promoted or carried on by it are:

1. To underwrite, subscribe for, purchase, invest in, or re-invest, acquire, hold, pledge, hypothecate, exchange, sell, deal in and dispose of, alone or in syndicates or otherwise in conjunction with others, stocks, bonds, debentures, mortgages and other evidences of indebtedness and obligations of any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, including any savings and loan association, and evidences of any interest, in respect of any such stocks, bonds and other evidences of indebtedness and obligations, to issue in exchange therefor its own stocks, bonds or other obligations, and, while the owner or holder of any such, to exercise all the rights, powers and privileges of ownership in respect thereof; to make any guaranty with respect to the stocks, bonds or other securities of any person, firm, association or corporation, including any savings and loan association; to aid in any manner any person, firm, association or corporation, including any savings and loan association whose stocks, bonds or other securities are held or in any manner guaranteed by the corporation, or in which the corporation is any way interested; to do any other act or thing for the preservation, protection, improvement or enhancement of the value of any such stocks, bonds or other securities.

2. To carry on the general business of insurance in all of its ramifications and including all lines appertaining thereto, specifically including but not limited to the business of:

(a) Life insurance, including insurance upon the lives of persons or appertaining thereto, and the granting, purchasing or disposing of annuities;

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(b) disability insurance, including insurance appertaining to injury, disablement or death resulting to the insured from accidents, and appertaining to disablement resulting to the insured from sickness;

(c) fire insurance including insurance against loss by fire, lightning, windstorm, tornado, or earthquakes; insurance against loss of, or destruction of, or damage to property when such insurance includes loss thereof by fire; and insurance by means of an all risk policy against any and all kinds of loss of, or damage to, or loss of use of any personal property.

3. To carry on a general insurance agency and brokerage business, and to act as agents, brokers, or attorneys in fact for any persons, firms or corporations in connection with insurance of any kind or nature whatsoever.

4. To conduct a general escrow business, including acting as escrow agent and doing a general escrow business for purchasers, sellers, lessors, lessees, trustees, beneficiaries, mortgagors, mortgagees, optionors, optionees and any and all persons, firms, associations or corporations interested in real or personal property, or any of them or in any transaction or transactions, and holding monies, grants, receipts, papers, securities and other property or evidences of property in escrow, and otherwise doing any act or performing any service necessary in the conduct of an escrow business.

5. To conduct a general real estate agency and brokerage business, and to act as agents, brokers or attorneys in fact for any persons, firms or corporations in buying, selling, and dealing in real property and any and every estate or interest therein.

6. To engage in any manufacturing, productive, extractive, development, investment, mercantile, trading or service business of any kind or character whatsoever.

7. To render management, supervisor, accounting, technical or other services or advice for any person, firm, association or corporation, domestic or foreign, by contract or otherwise, and to receive therefor fixed or contingent compensation, or compensation in the form of commissions, management fees, shares in gross or net receipts or profits, or in any other manner, or upon any other terms whatsoever, or so to act without direct compensation.

8. To acquire, construct, hold, use, develop, lease, encumber, sell, transfer or otherwise deal with, turn to account or dispose of any real, personal or mixed property or any powers, rights privileges, immunities, franchises, licenses, guaranties, grants or concessions.

9. To borrow money and to make, accept, endorse or issue notes, bonds, debentures or any other evidences of indebtedness, without limit as to amount, and to secure the same by mortgage, pledge or otherwise.

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10. To adopt, file, acquire, hold, use, develop, license, lease, encumber, sell, transfer or otherwise deal with, turn to account or dispose of copy rights, trademarks, trade names, brands, designs, labels, letters patent, registrations of or applications for any of the foregoing, license rights, inventions, improvements, formulae or processes, under both the laws of the United States and the laws of any other government.

11. To acquire, and to pay for in cash, stocks, bonds or any other securities of this corporation or otherwise, the whole or any part of the good will, business, assets and property, and to assume the whole or any part of the obligations and liabilities, of any person, firm, association or corporation.

12. To enter into, make, perform and carry out contracts of any kind whatsoever, including contracts of guaranty, with any person, firm, association or corporation, public or private, or with any government or public authority.

13. To manage, improve, develop, lease, encumber, sell, transfer or otherwise deal with, turn to account or dispose of the whole or any part of the property and assets of the corporation, and from time to time to vary any investment or employment of capital of the corporation.

The corporation may do everything necessary, convenient or proper for the accomplishment or attainment of, and may do everything incidental or appurtenant to or growing out of or connected with, any power, object or purpose herein set forth or which the corporation may otherwise have or be permitted by law, as principal, factor, agent, contractor or otherwise and either alone or in association with others.

The business of the corporation is from time to time to do any one or more of the acts and things herein set forth, and it shall have power to carry on its business, or any part thereof, to have offices and places of business and to exercise any or all of its corporate powers and rights both in the State of Delaware and the rest of the United States and in any and all places outside the United States.

The objects and purposes of the corporation set forth herein shall be construed as powers as well as objects and purposes and their enumeration herein shall not be deemed to exclude, by inference or otherwise, any power, object or purpose which the corporation may have or be permitted, whether expressly or impliedly, under the laws of the State of Delaware now or hereafter in effect.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is Seven Million Five Hundred Thousand (7,500,000) shares of par value of One Dollar ($1.00) per share. (By amendment January 18, 1977).

FIFTH: The minimum amount of capital with which the corporation will commence business is One Thousand Dollars ($1,000).

SIXTH: The names and places of residence of each of the incorporators are:

Name	Residence
M. P. Gorsuch	129 South State Street Dover, Delaware
M. R. Hall	129 South State Street Dover, Delaware
E. E. Boyles	129 South State Street Dover, Delaware

SEVENTH: The corporation is to have perpetual existence.

EIGHTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

NINTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the corporation:

1. In furtherance, and not in limitation, of the powers conferred by statute, the Board of Directors is expressly authorized:

(a) to make, alter, amend or repeal the by-laws of the corporation, unless otherwise provided in the by-laws;

(b) to set apart out of any of the funds of the corporation available for dividends a reserve or such reserves for any proper purpose and to abolish any such reserve in the manner in which it was created;

(c) to fix and determine and to vary the amount of the working capital of the corporation, to determine the use and disposition of the working capital and of any surplus or net profits over and above the capital of the corporation determined as provided by law and to pay dividends at such times and in such manner as they may determine;

(d) to authorize and cause to be executed mortgages and liens, without limit as to amount, upon the real and personal property of the corporation;

(e) to determine from time to time whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the corporation (other than the stock ledger), or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute, unless authorized by the directors or by resolution of the stockholders;

(f) to make donations for the public welfare or for charitable, scientific or educational purposes;

(g) to authorize payment of fixed fees and other compensation to directors for their services as directors, including, without limitation, services as members of committees of directors; provided, however, that nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor;

(h) to provide for and carry out and to recall, abolish, revise, amend, alter or change, a plan or plans for the participation by all or any of the employees, including directors and officers of the corporation or of any corporation in which or in the welfare of which, the corporation has any interest, and those actively engaged in the conduct of the corporation's business, in the profits of the corporation or of any branch or division thereof, as part of the corporations legitimate expenses, and for the furnishing to said employees and persons or any of them, at the corporation's expense, of medical services, insurance against accident, sickness, or death, pensions during old age, disability or unemployment, education, housing, social services, recreation or other similar aids for their relief or general welfare, in such manner and upon such terms and conditions as may be determined by the Board of Directors.

In general, the Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by this Certificate of Incorporation or by the by-laws directed or required to be exercised or done by the stockholders.

2. The number of directors of the corporation, which shall never be less than three, shall be fixed from time to time by the by-laws and may be altered from time to time by amendment of the by-laws.

3. Election of directors need not be by ballot, unless the by-laws shall so require.

4. No contract, transaction or act of the corporation shall be affected or invalidated by the fact that any of the directors of the corporation are in any wise interested in or connected with any other party to such contract, transaction or act or are themselves interested in or parties to such contract, transaction or act, provided that such interest shall be fully disclosed or otherwise known to those of the Board of Directors who act upon the matter at the time such contract, transaction or act is authorized, ratified or confirmed, and any such director may be counted in determining the existence of a quorum at any meeting at which such contract, transaction or act is authorized, ratified or confirmed, and may vote thereat in connection with such authorization, ratification or confirmation with like force and effect as if he were not so interested or connected or was not a party to such contract, transaction or act.

5. The Board of Directors in its discretion may submit for approval, ratification or confirmation by the stockholders at any meeting thereof any contract, transaction or act of the Board or of any officer, agent or employee of the corporation, and any such contract, transaction or act which shall have been so approved, ratified or confirmed by the holders of a majority of the issued and outstanding stock entitled to vote shall be as valid and binding upon the corporation and upon the stockholders thereof as though it had been approved and ratified by each and every stockholder of the corporation.

6. The corporation may indemnify or insure or both indemnify and insure any person who is or was a director, officer, employee or agent of the corporation or, at its request, of another corporation, partnership, joint venture, trust or other enterprise, to the full extent provided or permitted by its by-laws, as from time to time mended, and to the full extent to which those indemnified may now or hereafter be entitled under any law. agreement, vote of stockholders or disinterested directors or otherwise.

7. No director of this Corporation shall have personal liability to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director. The foregoing provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit.

8. In the event that the General Corporation Law of the State of Delaware is amended after approval of this Article by the stockholders so as to authorize corporate action further eliminating or limiting the liability of directors, the liability of a director of this Corporation shall thereupon be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended from time to time. The provisions of this Article shall not be deemed to limit or preclude indemnification of a director by the Corporation for any liability of a director which has not been eliminated by the provisions of this Article.

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9. Nothing contained in this Certificate of Incorporation shall be deemed to restrict the power of the directors or members of any committee to take any action, required or permitted to be taken by them, without a meeting, in accordance with applicable provisions of law.

TENTH: No stockholder shall have any pre-emptive or preferential right to subscribe for or purchase any shares of any class of stock of the corporation, whether now or hereafter authorized and whether unissued or in the treasury, or any obligations or securities convertible into or carrying options or warrants to purchase shares of any class of stock of the corporation, at any time issued or sold, whether for cash or other consideration, or any right to subscribe to or purchase any thereof.

ELEVENTH: Each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock held by such stockholder, and at any election of directors every stockholder may cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which his shares are entitled or distribute his votes on the same principle among as many candidates as he thinks fit.

TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation or any amendment hereof in the manner now or hereafter prescribed by law, and all rights of the stockholders are subject to this reservation.

IN WITNESS WHEREOF, we have made, signed and sealed this Certificate of Incorporation this 18th day of March, 1959.

M. P. GORSUCH (L.S.)

M. R. HALL (L.S.)

E. E. BOYLES (L.S.)

BY-LAWS

OF

WESCO FINANCIAL CORPORATION

ARTICLE I

OFFICES

The corporation may have offices and places of business, and the books and records of the corporation may be kept (except as otherwise provided by law), either within or without the State of Delaware.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. PLACE OF MEETINGS. -- The annual meeting of stockholders shall be held in Pasadena, California, at the place therein determined by the directors and set forth in the notice thereof, but other meetings of the stockholders may be held at such place or places (within or without the State of Delaware) as shall be fixed by the directors and stated in the notice of the meeting.

SECTION 2. ANNUAL ELECTION OF DIRECTORS. -- The annual meeting of stockholders for the election of directors and the transaction of other business shall be held, commencing in 1995, on the third Wednesday of May, at 4:00 p.m., Pacific Time. (By amendment 12-14-94)

If this date shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day. At each annual meeting the stockholders entitled to vote shall elect a Board of Directors and they may transact such other corporate business as may be properly brought before the meeting.

No change of the time or place of a meeting for the election of directors, as fixed by the by-laws. shall be made within sixty days next before the day on which such election is to be held. In case of any change in such time or place for such election of directors, notice thereof shall be given to each stockholder entitled to vote, in person, or by letter mailed to his last known post office address, twenty days before the election is held.

SECTION 3. VOTING. -- Each stockholder entitled to vote in accordance with the terms of the Certificate of Incorporation and in accordance with the provisions of these by-laws shall be entitled to one vote, in person or by proxy, for each share of stock entitled to vote held by such stockholder, but no proxy shall be voted after one year from its date. (By Amendment 3-19-63). After the first election of directors, except where the transfer books of the corporation shall have been closed or a date shall have been fixed as the record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which shall have been transferred on the books of the corporation within twenty days next preceding such election. Upon the demand of any stockholder, the vote for directors and the vote upon any question before the meeting, shall be by ballot. Every stockholder entitled to vote in any election for directors of this corporation may cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which his shares are entitled, or distribute his votes on the same principle among as many candidates as he thinks fit. The candidates for directors receiving the highest number of votes up to the number of directors to be elected are elected. On all questions other than the questions of election of directors a majority vote shall decide the question except as otherwise provided by the Certificate of Incorporation or the laws of the state of Delaware.

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every election of directors, a complete list of the stockholders entitled to vote at said election arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to examination of any stockholder during ordinary business hours, for a period of at least ten days prior to the election, either at a place within the city, town or village where the election is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where said meeting is to be held, and the list shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

SECTION 4. QUORUM. -- Except as otherwise required by law, by the Certificate of Incorporation or by these by-laws, the presence, in person or by proxy, of stockholders holding a majority of the stock of the corporation entitled to vote shall constitute a quorum at all meetings of the stockholders. In case a quorum shall not be present at any meeting, a majority in interest of the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock entitled to vote shall be present. At any such adjourned meeting at which the requisite amount of stock entitled to vote shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed; but only those stockholders entitled to vote at the meeting as originally noticed shall be entitled to vote at any adjournment or adjournments thereof.

SECTION 5. SPECIAL MEETINGS. -- Special meetings of the stockholders for any purpose or purposes may be called by the President. and shall be called upon a requisition in writing therefor, stating the purpose or purposes thereof, delivered to the President or Secretary, signed by a majority of the directors or by a majority in amount of the entire capital stock of the corporation entitled to vote, or by resolution of the directors.

SECTION 6. NOTICE OF MEETINGS. -- Written or printed notice stating the place and time of the meeting shall be given by the Secretary to each stockholder entitled to vote thereat, at his post office address as appearing on the books of the corporation, at least ten days before the meeting in the case of annual meetings, and five days before the meeting in the case of a special meeting, and in the case of a special meeting, the notice shall also state the general nature of the business to be considered at said special meeting.

SECTION 7. ACTION TO BE TAKEN AT MEETING. -- In the case of special meetings no business shall be transacted thereat except that business which is referred to in the notice of meeting without the unanimous consent of all the stockholders entitled to vote thereat.

SECTION 8. ACTION WITHOUT MEETING. -- Any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken. shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. (By amendment 1-18-77)

ARTICLE III

DIRECTORS

SECTION 1. NUMBER AND TERM. -- The number of directors shall be seven. (By Amendment 2-25-93) The directors shall be elected at the annual meeting of the stockholders and each director shall be elected to serve until his successor shall be elected and shall qualify. Directors need not be stockholders.

SECTION 2. RESIGNATIONS. -- Any director, member of a committee or other officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective.

SECTION 3. VACANCIES. -- If the office of any director, member of a committee or other officer becomes vacant the remaining directors in office, by a majority vote, may appoint any qualified person to fill such vacancy, who shall hold office for the unexpired term and until his successor shall be duly chosen.

SECTION 4. REMOVAL. -- Any director or directors may be removed either for or without cause at any time by the affirmative vote of the holders of a majority of all the shares of stock outstanding and entitled to vote, at a special meeting of the stockholders called for the purpose.

SECTION 5. INCREASE OF NUMBER. -- The number of directors may be increased by amendment of these by-laws by the affirmative vote of a majority of the directors, though less than a quorum, or, by the affirmative vote of a majority in interest of the stockholders, at the annual meeting or at a special meeting called for that purpose, and by like vote the additional directors may be chosen at such meeting to hold office until the next annual election and until their successors are elected and qualify.

SECTION 6. POWERS. -- The Board of Directors shall exercise all of the powers of the corporation except such as are by law, or by the Certificate of Incorporation of the corporation, or by these by-laws conferred upon or reserved to the stockholders.

SECTION 7. COMMITTEES. -- The Board of Directors may by resolution or resolutions, passed by a majority of the whole board, designate one or more committees, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in said resolution or resolutions or in these by-laws, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have power to authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in these by-laws or as may be determined from time to time by resolution adopted by the Board of Directors. The committees shall keep regular minutes of their proceedings and report the same to the board when required.

SECTION 8. MEETINGS. -- The newly elected directors shall hold their first meeting for the purpose of organization and the transaction of business, if a quorum be present, immediately after the annual meeting of the stockholders; or the time and place of such meeting may be fixed by consent in writing of all the directors.

The Board of Directors of the corporation may hold their meetings, both regular and special, either within or without the State of Delaware.

Regular meetings of the directors may be held without notice at such places and times as shall be determined from time to time by resolution of the directors.

Special meetings of the board may be called by the President or by the Secretary on written request of any two directors on at least two days' notice, either personally or by mail or telegram, cable or radiogram, to each director and shall be held at such place or places as may be determined by the directors, or as shall be stated in the call of the meeting.

SECTION 9. QUORUM. -- A majority of the directors shall constitute a quorum for the transaction of business. If at any meeting of the board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at the meeting which shall be so adjourned.

SECTION 10. COMPENSATION. -- Directors may be paid for their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as a director. No such payments shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special and standing committees may be allowed like compensation for attending committee meetings.

SECTION 11. ACTION WITHOUT MEETING. -- Unless otherwise restricted by the Certificate of Incorporation or these by-laws any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if, prior to such action, a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of the proceeding of the Board of Directors or of the committee.

ARTICLE IV

OFFICERS

SECTION 1. OFFICERS. -- The officers of the corporation shall be a President, one or more Vice Presidents, a Treasurer, and a Secretary, and such Assistant Treasurers and Assistant Secretaries as the Board of Directors may deem proper. In addition, the Board of Directors may elect a Chairman and Vice Chairman of the Board of Directors. (By amendment 12-21-89) All of such officers shall be elected by the Board of Directors. None of the officers, except the Chairman and Vice Chairman of the Board of Directors and the President, need be directors. (By amendment 12-21-89) The officers shall be elected at the first meeting of the Board of Directors after each annual meeting. Any two offices, other than those of President and Vice President, may be held by the same person. More than two offices, other than those of President and Secretary, may be held by the same person. The officers of the corporation shall hold office until their successors are chosen and qualified. Any officer elected or appointed by the Board may be removed at any time by an affirmative vote of the majority of the Board. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

SECTION 2. OTHER OFFICERS AND AGENTS. -- The Board of Directors may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

SECTION 3. CHAIRMAN AND VICE CHAIRMAN. (By Amendment 12-21-89) -- The Chairman of the Board of Directors, if one be elected, shall preside at all meetings of the Board of Directors and Stockholders and he shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors or the Executive Committee. The Vice Chairman shall preside at all meetings of the Board of Directors and of the Stockholders at which the Chairman is not present and shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors or the Executive Committee. (By Amendment 12-21-89)

SECTION 4. PRESIDENT. -- The President shall be the chief executive officer of the corporation and shall have the general powers and duties of supervision and management usually vested in the office of President of a corporation. He shall preside at all meetings of the stockholders if present thereat, and in the absence or non-election of the Chairman of the Board of Directors, at all meetings of the Board of Directors, and shall have general supervision, direction and control of the business of the corporation. Except as the Board of Directors shall authorize the execution thereof in some other manner, he shall execute bonds, mortgages and other contracts in behalf of the corporation, and shall cause the seal to be affixed to any instrument requiring it and when so affixed, the seal shall be attested by the signature of the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer.

SECTION 5. VICE PRESIDENT. -- Each Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Directors.

SECTION 6. TREASURER. -- The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the corporation. He shall deposit all moneys and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors, or the President, taking proper vouchers for such disbursements. He shall render to the President and Board of Directors at the regular meetings of the Board of Directors, or whenever they may request it, an account of all his transactions as Treasurer and of the financial condition of the corporation. If required by the Board of Directors, he shall give the corporation a bond for the faithful discharge of his duties in such amount and with such surety as the board shall prescribe.

SECTION 7. SECRETARY. -- The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors, and all other notices required by law or by these by-laws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the President, or by the directors, or stockholders, upon whose requisition the meeting is called as provided in these by-laws. He shall record all the proceedings of the meetings of the corporation and of the directors in a book to be kept for that purpose and shall perform such other duties as may be assigned to him by the directors or the President. He shall have the custody of the seal of the corporation and shall affix the same to all instruments requiring it, when authorized by the directors or the President, and attest the same.

SECTION 8. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. -- Assistant Treasurers and Assistant Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the directors.

SECTION 9. COMPENSATION. -- Compensation of officers, agents or employees shall be fixed from time to time by the Board of Directors or by such committee or committees, or person or persons, if any, to whom such power shall have been delegated by the Board of Directors.

ARTICLE V

MISCELLANEOUS

SECTION 1. CERTIFICATES OF STOCK. -- Certificates of stock, numbered and with the seal of the corporation affixed, signed by the President or Vice President, and the Treasurer or an Assistant Treasurer, or Secretary or an Assistant Secretary, shall be issued to each stockholder certifying the number of shares owned by him in the corporation. When such certificates are signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the corporation and a registrar, the signatures of such officers may be facsimiles.

In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates, shall cease to be such officer or officers of this corporation, whether because of death, resignation or otherwise, before said certificate or certificates have been delivered by this corporation, such certificate or certificates may nevertheless be adopted by this corporation and be issued and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures have been used thereon, had not ceased to be such officer or officers of this corporation.

SECTION 2. LOST CERTIFICATES. -- A new certificate of stock may be issued in the place of any certificate theretofore issued by the corporation, alleged to have been lost or destroyed, and the directors may, in their discretion, require the owner of the lost or destroyed certificate, or his legal representatives, to give the corporation a bond, in such sum as they may direct, not exceeding double the value of the stock, to indemnify the corporation against any claim that may be made against it on account of the alleged loss of any such certificate, or the issuance of any such new certificate.

*** D09 ***

SECTION 3. TRANSFER OF SHARES. -- The shares of stock of the corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives, and upon such transfer the old certificates shall be surrendered to the corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other person as the directors may designate, by whom they shall be cancelled, and new certificates shall thereupon be issued. A record shall be made of each transfer and a duplicate thereof mailed to the Delaware office, and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

SECTION 4. CLOSING OF TRANSFER BOOKS. -- The Board of Directors shall have power to close the stock transfer books of the corporation for a period not exceeding sixty days (By Amendment 1-18-77) preceding the date of any meeting of stockholders or date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, or for a period of not exceeding sixty days (By Amendment 1-18-77) in connection with obtaining the consent of stockholders for any purpose. Provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding sixty days (By Amendment 1-18-77) preceding the date of any meeting of stockholders or the date for the payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividends or to any such allotment of rights or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders only as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend or to receive such allotment of rights or to exercise such rights or give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

SECTION 5. DIVIDENDS. -- Subject to the provisions of the Certificate of Incorporation, the Board of Directors may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of the corporation as and when they deem expedient. Before declaring any dividend there may be set apart out of any funds of the corporation available for dividends, such sum or sums as the directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for equalizing dividends or for such other purposes as the directors shall deem conducive to the interests of the corporation.

SECTION 6. SEAL. -- The corporate seal shall be circular in form and shall contain the name of the corporation, the year of its creation and the words, "CORPORATE SEAL DELAWARE". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 7. CHECKS. -- All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation, and in such manner as shall be determined from time to time by resolution of the Board of Directors.

SECTION 8. ADDRESSES OF STOCKHOLDERS. -- It shall be the duty of every stockholder to notify the corporation of his post office address and of any change therein. The latest address furnished by each stockholder shall be entered on the original stock ledger of the corporation and the latest address appearing thereon shall be deemed conclusively to be the post office address and the last-known post office address of such stockholder. If any stockholder shall fail to notify the corporation of his post office address, it shall be sufficient to send corporate notices to such stockholder at the address, if any, understood by the Secretary to be his post office address, or in the absence of such address, to such stockholder at the General Post Office in the city, town or place in the State of Delaware where the principal office of the corporation is located.

SECTION 9. NOTICES AND WAIVERS THEREOF. -- Whenever any notice whatever is required by these by-laws or by the Certificate of Incorporation, as amended, or by any law to be given to any stockholder, director or officer, such notice, except as otherwise provided by law, may be given personally or be given by telegram, cable or radiogram, addressed to such stockholder at the address set forth as provided in Section 8 of Article V, or to such director or officer at his place of business with the corporation, if any, or at such address as appears on the books of the corporation, or the notice may be given in writing by mail, in a sealed wrapper, postage prepaid, addressed to such stockholder at the address set forth in Section 8 of Article V, or to such director or officer at his place of business with the corporation, if any, or such address as appears on the books of the corporation; and any notice given by telegram, cable or radiogram shall be deemed to have been given when it shall have been deposited in a post office, in a regularly maintained letter box or with a postal carrier. A waiver of any such notice in writing, signed by the person entitled to such notice or, in the case of a stockholder, by his duly authorized attorney, whether before or after the time of the action for which such notice is required, shall be deemed the equivalent thereof; and the presence at any meeting of any person entitled to notice thereof or, in the case of a stockholder, his duly authorized attorney, shall be deemed a waiver of such notice as to such person.

SECTION 10. VOTING UPON STOCKS. -- The Board of Directors (whose authorization in this connection shall be necessary in all cases) may from time to time appoint an attorney or attorneys or agent or agents of the corporation, or may at any time or from time to time authorize the President, any Vice President, the Treasurer or the Secretary to appoint an attorney or attorneys or agent or agents of the corporation, in the name and on behalf of the corporation to cast the votes which the corporation may be entitled to cast as a stockholder or otherwise in any other corporation or association, any of the stock or securities of which may be held by the corporation, and to cumulate the voting in elections for directors, at meetings of the holders of the stock or other securities of such other corporation or association, or to consent in writing to any action by any such other corporation or association and the person or persons so appointed may be instructed as to the manner of casting such votes or giving such consent, and may be authorized to execute and deliver, on behalf of the corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as may be deemed necessary or proper in the premises.

ARTICLE VI
AMENDMENTS

These by-laws may be altered or repealed and by-laws may be made at any annual meeting of the stockholders or at any special meeting thereof if notice of the proposed alteration or repeal or by-law or by-laws to be made be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, or by the affirmative vote of a majority of the Board of Directors, at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors, if notice of the proposed alteration or repeal, or by-law or by-laws to be made, be contained in the Notice of such Special Meeting.

ARTICLE VII
ANNUAL REPORT

An Annual Report will be sent to the stockholders not later than 90 days after the close of the fiscal or calendar year, whichever year is adopted by the corporation. (BY AMENDMENT 3-19-63)

ARTICLE VIII
INDEMNIFICATION

SECTION 1. RIGHT TO INDEMNIFICATION. -- Each person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation, whether the basis of such proceeding is alleged action in an official capacity or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the corporation to the fullest extent permitted by the laws of Delaware, as the same exist or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all costs, charges, expenses, liabilities and losses (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided however, that except for any proceeding seeking to enforce or obtain payment under any right to indemnification by the corporation, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the corporation has joined in or consented to the initiation of such proceeding (or part thereof). The corporation may, by action of its Board of Directors, either on a general basis or as designated by the board of directors, provide indemnification to employees and agents of the corporation, or to any person serving at the request of the corporation as a director, officer,employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, and with the same scope and effect as the foregoing indemnification of directors and officers. Notwithstanding anything in this Article VIII to the contrary, no person shall be entitled to indemnification pursuant to this Article VIII on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase and sale by such person of securities of the corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934.

SECTION 2. NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise. Each person who is or becomes a director or officer of the corporation, or, if designated for indemnification by the Board of Directors, serves as an employee or agent of the corporation or serves at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be deemed to have served or to have continued to serve in such capacity in reliance upon the indemnity provided in this Article VIII.

SECTION 3. INSURANCE. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

SECTION 4. EXPENSES AS A WITNESS. To the extent that any director, officer, employee or agent of the corporation is by reason of such position, or a position with another entity at the request of the corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

SECTION 5. INDEMNITY AGREEMENTS. The corporation may enter into indemnity agreements with the persons who are members of its board of directors from time to time, and with such officers, employees and agents of the corporation and with such officers, directors, employees and agents of subsidiaries as the board may designate, such indemnity agreements to provide in substance that the corporation will indemnify such persons as contemplated by this Article VIII, and to include any other substantive or procedural provisions regarding indemnification as are not inconsistent with the General Corporation Law of Delaware. The provisions of such indemnity agreements shall prevail to the extent that they limit or condition or differ from the provisions of this Article VIII.

SECTION 6. DEFINITION OF CORPORATION. For purposes of this Article VIII reference to "the corporation" includes all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation so that any person who is or was a director or officer of such a constituent corporation shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

*** E02 ***

*** E03 ***
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Exhibit 22 to Form 10-K
Wesco Financial Corporation
For Year Ended
December 31, 1994

WESCO FINANCIAL CORPORATION

SUBSIDIARIES

Name of Subsidiary	Percentage Owned by Registrant	State of Incorporation
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 Company	100%	Nebraska
MS Property Company	100%	California
Montecito Sea Meadow Homeowners' Association, Inc.	68.8%	California
Montecito Sea Meadow Mutual Water Company, Inc.	68.8%	California

*** E04 ***

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