

WESCO FINANCIAL CORP

Form DEF 14A

March 26, 2010

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**SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. _____)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Additional Materials

Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

WESCO FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Fee not required.

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(1) Title of each class of securities to which transaction applies:

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(4) Date Filed:

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WESCO FINANCIAL CORPORATION
301 EAST COLORADO BOULEVARD, SUITE 300, PASADENA, CALIFORNIA 91101-1901
(626) 585-6700
www.wescofinancial.com

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 5, 2010**

The annual meeting of shareholders of Wesco Financial Corporation (Wesco) will be held in Ballroom D of the Exhibit Hall & Ballroom Building of The Pasadena Convention Center, 300 East Green Street, Pasadena, California 91101, on Wednesday, May 5, 2010 at 2:00 p.m., Pacific time, for the following purposes:

1. To elect six directors to hold office until the next annual meeting of shareholders or until their respective successors shall have been duly elected and qualified.
2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed March 15, 2010, as of the close of business, as the record date for the determination of shareholders entitled to this notice and to vote at such annual meeting or any adjournment or adjournments thereof. A list of the shareholders as of such record date will be open to examination by any shareholder for any purpose germane to the meeting during ordinary business hours at Wesco s principal office at 301 East Colorado Boulevard, Suite 300, Pasadena, California for a period of at least ten days prior to May 5, 2010.

All shareholders are requested to complete, sign and date the enclosed form of proxy and return it promptly in the accompanying postage-prepaid, self-addressed envelope, to assure that their shares will be represented at the annual meeting. Alternatively, shareholders can give a proxy by telephone or over the Internet. The Internet address for shareholders of record to use is <http://www.proxyvoting.com/wsc>, and the telephone number, using any touch-tone telephone, is 1-866-540-5760. Shareholders will be asked to enter the identification number shown on their forms of proxy. The telephone number, Internet address and identification number for a beneficial shareholder to use will be shown on the form of proxy or voting instructions provided by such beneficial shareholder s bank, broker or other nominee. Any shareholder giving a proxy has the right to revoke it at any time before it is voted at the meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
MEETING OF SHAREHOLDERS TO BE HELD MAY 5, 2010**

This Notice of Annual Meeting of Shareholders, the accompanying Proxy Statement and Wesco s combined printed annual report and Form 10-K for the Year Ended December 31, 2009 may be viewed and printed from Wesco s website at www.wescofinancial.com, or at <http://bnymellon.mobular.net/bnymellon/wsc>.

By Order of the Board of Directors

Margery A. Patrick
Secretary

Pasadena, California
March 27, 2010

IMPORTANT

Whether or not you expect to attend the annual meeting, please complete, sign and date the enclosed form of proxy and return it promptly in the enclosed envelope, or, alternatively, you may give a proxy to vote your shares by telephone or over the Internet, as described above.

Wesco's annual meeting of shareholders will be held in Ballroom D of the Exhibit Hall & Ballroom Building of The Pasadena Convention Center, 300 East Green Street (adjacent to the western side of The Pasadena Civic Auditorium), Pasadena, California 91101, at 2:00 p.m., Pacific time, on Wednesday, May 5, 2010. The Pasadena Convention Center's parking structure may be accessed from Euclid Avenue, which runs north-south, to the east of the Center. Additional parking can be found nearby, in the shopping center across Green Street to the north, and at the corner of Green Street and Los Robles Avenue, a block to the east of the Convention Center.

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**PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
MAY 5, 2010**

This proxy statement (Proxy Statement) is furnished in connection with the solicitation by the Board of Directors of Wesco Financial Corporation (Wesco) of proxies to be voted at the May 5, 2010 annual meeting of the shareholders of Wesco (Annual Meeting), which will be held in Ballroom D of the Exhibit Hall & Ballroom Building of The Pasadena Convention Center, 300 East Green Street, Pasadena, California 91101, beginning at 2:00 p.m., Pacific time. This Proxy Statement is expected to be mailed to shareholders on or about March 27, 2010, together with Wesco s combined annual report to shareholders and annual report to the Securities and Exchange Commission (SEC) on Form 10-K for the calendar year ended December 31, 2009.

PROXIES AND REVOCATION

The shares represented by each proxy received in time for the meeting will be voted in accordance with the instructions contained therein. Any shareholder giving a proxy has the power to revoke it at any time before it is voted at the meeting by filing with the Secretary of Wesco at 301 East Colorado Boulevard, Suite 300, Pasadena, California 91101-1901, a written revocation or a properly executed proxy bearing a later date, or by voting in person at the Annual Meeting.

Wesco intends to solicit proxies principally by the use of the mail. It will also request banks, brokers and other nominees to forward copies of the form of proxy and Proxy Statement to persons for whom they hold stock of Wesco and request authority for the execution of proxies. Wesco will reimburse such banks, brokers and other nominees for their actual expenditures incurred in connection therewith at not higher than usual and customary rates. Officers of Wesco may solicit proxies to a very limited extent by telephone, but without incremental cost to Wesco, except for actual out-of-pocket communication charges, which are expected to be insignificant. Thus, the cost of soliciting proxies will be paid by Wesco.

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ELECTION OF DIRECTORS

At the Annual Meeting, the six nominees for Director receiving the highest number of affirmative votes will be elected Wesco directors (Directors). Each elected Director shall serve until the election and qualification of his or her respective successor (expected to be at the annual meeting to be held in May 2011) or upon earlier resignation (not currently anticipated). Each nominee currently serves as a Director and has been nominated by Wesco s Board of Directors (the Board).

Wesco s Board has established certain attributes that it seeks in identifying candidates for director. In particular, the Board desires individuals who have very high integrity, business savvy, owner-oriented attitudes and deep, genuine interests in Wesco. These are the same attributes that Charles Munger, Wesco s Chairman and CEO and Warren Buffett, Chairman and CEO of Berkshire Hathaway Inc., (Berkshire), the ultimate parent of Wesco, believe to be essential if one is to be an effective member of Wesco s Board. In considering candidates for Director, the Board considers the entirety of each candidate s credentials in the context of these attributes. In the judgment of Wesco s Board as a whole, each of the following nominees possesses such attributes.

Set forth below for each nominee is his or her principal occupation, business experience during at least the past five years, age, and certain other information.

CHARLES T. MUNGER, age 86, has been a Director since 1973, and Chairman of the Board and Chief Executive Officer of Wesco since 1984. He has also served Wesco as President since May 2005. He has been Chairman of the Board of Blue Chip Stamps (Blue Chip) since 1976, having joined its board in 1969; Blue Chip, the parent of Wesco, is engaged in the trading stamp business. Since 1978, Mr. Munger has been Vice Chairman of Berkshire, the parent of Blue Chip; Berkshire is engaged in the property and casualty insurance business and many other diverse businesses. Mr. Munger has been Chairman of the Board of Daily Journal Corporation, a publisher of specialty newspapers primarily in California, since 1977. He also has been a director of Costco Wholesale Corporation, which operates a large chain of membership warehouses, since 1997.

Wesco benefits from Mr. Munger s leadership for numerous reasons, not the least of which are his experience and ability as a successful investor, close working relationship with Warren E. Buffett, familiarity with the reinsurance activities of the Berkshire Insurance Group, in which Wesco s insurance subsidiary is periodically offered certain opportunities to participate, and his focus on creating long-term growth in shareholder value.

CAROLYN H. CARLBURG, age 63, has been a Director since 1991. Since 2005, she has been Chief Executive Officer of AIDS Research Alliance of America, Inc., a non-profit, national research organization which collaborates with scientists, universities and researchers worldwide. She is also an ex officio member of that organization s board of directors. From 2001 until 2005, Ms. Carlburg was engaged in the practice of law under her own name and specialized in land use matters and business litigation. From 1997 until July 2001, she was Executive Director of the Center for Community & Family Services, Inc. Prior thereto, she practiced law under the name Carolyn H. Carlburg & Associates.

Wesco benefits from Ms. Carlburg s experience as an attorney and her almost two decades of service as a director. In addition, her experience as the leader of two non-profit organizations has contributed to her effectiveness as the leader of Wesco s audit committee.

ROBERT E. DENHAM, age 64, has been a Director since 2000. He is a partner of Munger, Tolles & Olson LLP, a law firm which renders legal services for Wesco, Berkshire, and certain of their affiliates. In 1998, he rejoined that firm, with which he had been associated for twenty years, after serving Salomon Inc, a former investee of Berkshire,

Wesco and several of their subsidiaries, in the following capacities: 1992 to 1997, Chairman and Chief Executive Officer of Salomon Inc; 1991 and 1992, general counsel of Salomon Inc and its investment banking subsidiary, Salomon Brothers. Mr. Denham has also been a director of Chevron Corporation, an international energy company, since 2004; Fomento Economico Mexicano, S.A. de C.V., a beverage and convenience store company, since 2001; and New York Times Company, a diversified media company, since 2008. He was also a director of Lucent Technologies, Inc., a telecommunications equipment manufacturer, from 2002 and of its successor by merger, Alcatel-Lucent, from 2006 through 2009.

Mr. Denham has a significant amount of experience as a director of various public companies, and Wesco benefits from his knowledge of other companies practices. Mr. Denham also contributes through his

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experience as a business lawyer and as a chief executive officer, and through his financial and accounting experience, which includes five years as chairman of the Financial Accounting Foundation.

ROBERT T. FLAHERTY, age 72, has been a Director since 2003. He is engaged in personal investments. From 1983 through 1996, he served as President of Flaherty & Crumrine Incorporated, a registered investment and commodities trading advisor. In addition, he served as a director of Flaherty & Crumrine Incorporated until 2002; he retired from that company in 2003. During his affiliation with Flaherty & Crumrine Incorporated, Mr. Flaherty also served as Chairman, President and Chief Executive Officer of three publicly traded closed-end investment companies managed by that firm.

Mr. Flaherty's extensive investment management experience is of substantial value to Wesco, which maintains a sizable investment portfolio. Mr. Flaherty also has an MBA and is a Chartered Financial Analyst.

PETER D. KAUFMAN, age 55, has been a Director since 2003. He is Chairman and Chief Executive Officer of Glenair, Inc., a privately held manufacturer of electrical and fiber optic components and assemblies for the aerospace industry. He has served in various capacities at that company since 1977. Mr. Kaufman has also been a director of Daily Journal Corporation since 2006.

Mr. Kaufman has many years of practical experience as a chief executive officer, and he specializes in fostering a business culture that motivates and retains exceptional employees. His background in accounting also makes him a valuable member of Wesco's audit committee.

ELIZABETH CASPERS PETERS, age 83, has been a Director since 1959 except for the period 1961 to 1967. She is engaged in personal investments.

Ms. Peters has served on Wesco's board of directors for more than 40 years. Her long-time service provides important knowledge of Wesco's operations and corporate history.

EXECUTIVE OFFICERS

In addition to Mr. Munger, Wesco has three executive officers, who are listed below. All officers are elected by the newly elected Board to serve for the next twelve months or until their successors have been elected and qualified. Set forth below for each executive officer other than Mr. Munger is his principal occupation, business experience during at least the past five years, age, and certain other information.

JEFFREY L. JACOBSON, age 62, has served as Vice President and Chief Financial Officer of Wesco since 1984. He has served MS Property Company, a wholly owned Wesco subsidiary, as Vice President and Chief Financial Officer since 1993, and as a director since 2005. He has served in various financial and other offices of Blue Chip since joining it in 1977—currently he is Vice President and Chief Financial Officer—and has served as a Blue Chip director since 1987.

ROBERT E. SAHM, age 82, has, since 1971, served Wesco as Vice President in charge of building management and, ultimately, all real estate operations; prior thereto, he served as Building Manager from 1967. Since 2005, he has served MS Property Company as President and, from 1993 to 2005, as Senior Vice President in charge of property management, development and sales. He has served as a director of MS Property since 1993.

CHRISTOPHER M. GRECO, age 32, has served Wesco as Treasurer since 2005. He has also served MS Property as Executive Vice President since 2008 and, prior thereto, as Treasurer, since 2005. He has also served Blue Chip as Treasurer since 2005. From 2002 to 2005, he was employed by PriceWaterhouseCoopers, providing audit, tax-related

and business consulting services to publicly traded and privately owned companies, and other clients of that accounting firm.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

On March 15, 2010, the record date for determination of shareholders entitled to notice of and to vote at the Annual Meeting, a total of 7,119,807 shares of capital stock were outstanding. Such shares are the only voting securities of Wesco. All information regarding stock ownership is given as of the close of business on March 15, 2010.

Shareholders have the right to elect Directors by cumulative voting in accordance with Wesco's bylaws: Each share has votes equal to the number of Directors to be elected (six), and the votes may be cast for one candidate or distributed among two or more candidates. On all other matters, each share has one vote. Votes withheld as to

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specific Directors are treated as votes cast in determining if a quorum is present to transact business but are excluded from the votes cast in favor of such Directors. A majority of Wesco's outstanding capital shares as of March 15, 2010 must be represented in person or by proxy to constitute a quorum for the Annual Meeting.

The persons appointed by the Board as proxies have informed the Board of their intent to distribute, in such proportion as they see fit, the authorized votes represented by proxies (i) in favor of the election of the six nominees named above, or (ii) in the event one or more of said nominees is or are unable to serve, for the remainder of the nominees named above supplemented by any substitute nominee or nominees selected by the Board.

Blue Chip, a wholly owned subsidiary of Berkshire, owns 5,703,087 shares (80.1%) of Wesco capital stock. Warren E. Buffett, Chairman of the Board and Chief Executive Officer of Berkshire, has economic interest with respect to 24.3% of Berkshire's common stock. Mr. Buffett may be deemed to be in control of Berkshire, and Mr. Buffett, as well as Berkshire, may be deemed to be in control of Blue Chip and Wesco. Charles T. Munger, Chairman of the Board and President of Wesco, is also Vice Chairman of the Board of Berkshire. Mr. Munger consults with Mr. Buffett with respect to Wesco's investment decisions and major capital allocations.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Wesco's capital stock is the only class of its outstanding capital stock. Blue Chip is the only organization or individual known to Wesco's management to own beneficially 5% or more of its outstanding shares. Berkshire has two classes of common stock, designated Class A and Class B. Beneficial ownership as of March 15, 2010 of Wesco capital stock and Berkshire common stock by Blue Chip and by all Wesco Directors and executive officers who own shares is set forth below.

Name	Wesco Capital Stock		Berkshire Class A Stock		Berkshire Class B Stock	
	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class	Amount and Nature of Beneficial Ownership ⁽¹⁾	Percent of Class
Blue Chip Stamps	5,703,087 ⁽²⁾	80.1%				
Carolyn H. Carlburg					550	*
Robert E. Denham	1,270 ⁽³⁾	*	60 ⁽⁴⁾	*	8,600 ⁽⁴⁾	*
Robert T. Flaherty			147	*		*
Peter D. Kaufman	1,000	*			2,300 ⁽⁵⁾	*
Charles T. Munger			13,181	1.1%		
Elizabeth Caspers Peters	67,448 ⁽⁶⁾	1.0				
Christopher M. Greco					250 ⁽⁷⁾	*
Jeffrey L. Jacobson			2	*	7,320 ⁽⁸⁾	*
Robert E. Sahn	3,150	*			1,500	*
All directors and executive officers as	72,868 ^(2,3,6,9)	1.0	13,390 ⁽⁴⁾	1.1	20,520 ^(4,5,7,8)	*

a group

* Less than 1%.

- (1) Beneficial owner has sole voting and investment power, except as indicated. With respect to Berkshire shares, each share of Class A stock is convertible into one thousand five hundred shares of Class B stock at the option of the shareholder. As a result, pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, a shareholder is deemed to have beneficial ownership of the shares of Class B stock which such shareholder may acquire upon conversion of the Class A stock. In order to avoid overstatement in this table, the amount of Class B stock beneficially owned does not take into account such shares of Class B stock which may be acquired upon conversion of shares of Class A stock held by a shareholder. The percentage of outstanding Class B stock is based on the total number of shares of Class B stock outstanding as of March 15, 2010 and does not take into account shares of Class B stock which may be issued upon conversion of Class A stock.
- (2) Voting and investment power may be deemed to be controlled by Berkshire and Warren E. Buffett by virtue of the relationships described above. Blue Chip's principal executive offices are located at 301 East Colorado Boulevard, Suite 300, Pasadena, California 91101-1901. Berkshire's principal executive offices are located at 3555 Farnam Street, Omaha, Nebraska 68131, which is also Mr. Buffett's principal address.
- (3) Includes 270 shares held by Mr. Denham's spouse, as to which Mr. Denham disclaims beneficial ownership.

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- (4) Includes 20 Class A shares and 1,750 Class B shares as to which Mr. Denham has shared beneficial ownership by virtue of a power of attorney, allowing Mr. Denham investment power but with respect to which he has no voting power. Also includes 4,600 Class B shares as to which Mr. Denham has voting and investment power but with respect to which he has no economic interest.
- (5) Represents shares held by Mr. Kaufman's spouse, as to which Mr. Kaufman disclaims beneficial ownership.
- (6) Includes 16,843 shares held by a trust of which Mrs. Peters is co-trustee with her children and income beneficiary.
- (7) Includes 50 shares held by Mr. Greco's spouse, as to which Mr. Greco disclaims beneficial ownership.
- (8) Includes 1,050 shares held jointly by Mr. Jacobson and his spouse as to which Mr. Jacobson has shared voting and investment power and 300 shares as to which he has shared voting and investment power but with respect to which he has no economic interest.
- (9) Does not include the 5,703,087 shares (80.1%) held by Blue Chip, of which Charles T. Munger and Jeffrey L. Jacobson are directors and executive officers and Christopher M. Greco is an executive officer.

SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires Wesco's executive officers and Directors, and persons who own more than ten percent of Wesco's outstanding capital stock, to file reports of ownership and changes in ownership with the SEC. Copies of all such Section 16(a) reports must be furnished to Wesco.

Based solely on its review of the copies of such Section 16(a) reports received by it, and representations from certain persons subject to Section 16(a) reporting that no such reports were required to be filed, Wesco believes that its executive officers, Directors, and beneficial owners of more than ten percent filed all such required reports on a timely basis during 2009.

CORPORATE GOVERNANCE

Director Independence. Because 80.1% of Wesco's capital stock is owned by Blue Chip, the Board has determined that Wesco is a controlled company within the meaning of Section 801 of the listing standards of NYSE Amex LLC (NYSE Amex), on which Wesco's shares are traded. Controlled companies are exempted from a number of NYSE Amex listing standards, including the requirement to have a majority of independent directors and the requirement to have director nominees selected by a nominating committee comprised entirely of independent directors or by a majority of the independent directors. Controlled companies are also exempt from the requirement to have the compensation of the issuer's officers determined by a compensation committee comprised solely of independent directors or by a majority of the independent directors.

Nonetheless, the Board has affirmatively determined that Carolyn H. Carlburg, Robert T. Flaherty, Peter D. Kaufman and Elizabeth Caspers Peters are independent as defined in Section 803A of the NYSE Amex listing standards.

Committees. Wesco has a standing audit committee (Audit Committee) established in accordance with Section 3(a)(58)(A) of the Exchange Act that is responsible for assisting the Board in fulfilling its responsibilities as they relate to Wesco's accounting policies, internal controls and financial reporting practices. The members of the

Audit Committee are Carolyn H. Carlburg (Chair), Robert T. Flaherty and Peter D. Kaufman. The Board has determined that each of these Directors is independent in accordance with NYSE Amex listing standards, and with Rule 10A-3 promulgated under the Exchange Act. The Board has determined that Messrs. Flaherty and Kaufman are each audit committee financial experts as that term is used in Item 407 of Regulation S-K promulgated under the Exchange Act. The Audit Committee's charter is available at www.wescofinancial.com.

The Audit Committee is the only standing committee of the Board. Wesco does not have a nominating committee or a compensation committee. Wesco's nominating procedure is described below, under Nominations. Its compensation practices are discussed on page 8 under Compensation Discussion and Analysis. With the exception of Mr. Sahn, Wesco's executive officers are not employees of Wesco or its subsidiaries and are instead remunerated by Blue Chip. Because of the simplicity of Wesco's executive compensation program, Wesco believes it is appropriate for the full Board to review and approve any reimbursement to Blue Chip for the services of

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Wesco's executive officers without delegating that duty to a separate committee. Wesco does not reimburse Blue Chip for the services of Mr. Munger, Wesco's Chairman, President and Chief Executive Officer.

Meetings. During 2009, the Directors held four Board meetings and the Audit Committee held four meetings. No Director attended fewer than 75 percent of the combined total number of meetings of the Board and Audit Committee (if a member thereof) held during the year. Wesco does not require its Directors to attend annual meetings of shareholders, but all Directors attended the 2009 annual meeting.

Nominations. There is no standing nominating committee, and the entire Board is responsible for selecting nominees for election as Directors. Wesco believes that the Board is able to fully consider and select appropriate nominees for election to the Board without delegating that responsibility to a committee of independent Directors or adopting formal procedures. Candidates have traditionally been recommended to the Board by Mr. Munger or one of the other Directors, and there is no formal process for identifying or evaluating new Director nominees. Candidates recommended by shareholders will be evaluated in the same manner as candidates recommended by others, although the Board may prefer candidates of good repute who are personally known to Directors. The Board will consider all relevant qualifications, as well as the needs of Wesco in terms of compliance with NYSE Amex listing standards and SEC rules. The Board also prefers candidates who add to the range of backgrounds and experiences of the Directors, but qualified candidates are otherwise evaluated without regard to diversity.

A shareholder wishing to recommend a candidate for Director should send a letter to Wesco Financial Corporation, attention of the Secretary, at 301 East Colorado Boulevard, Suite 300, Pasadena, California 91101-1901. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Director Nominee Recommendation. The letter must identify the author as a shareholder and provide a brief summary of the candidate's qualifications, as well as contact information for both the candidate and the shareholder. At a minimum, candidates for election to the Board should meet the independence requirements of Section 803A of the NYSE Amex listing standards and Rule 10A-3 under the Exchange Act. Candidates should also have relevant business and financial experience, and they must be able to read and understand fundamental financial statements.

Board of Director Interlocks and Insider Participation. Charles T. Munger, Chairman of the Board, President and Chief Executive Officer of Wesco, is also Chairman of the Board of Blue Chip and Vice Chairman of the Board of Berkshire. Jeffrey L. Jacobson, Vice President and Chief Financial Officer of Wesco, is also a director of and Vice President and Chief Financial Officer of Blue Chip. Mr. Munger participated in discussions of Wesco's Board regarding executive officer compensation.

Shareholder Communications with the Board. Shareholders who wish to communicate with the Board or with a particular Director may send a letter to the attention of the Secretary, Wesco Financial Corporation, at 301 East Colorado Boulevard, Suite 300, Pasadena, California 91101-1901. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Shareholder-Board Communication or Shareholder-Director Communication. All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all of the members of the Board or just certain specified individual Directors. The Secretary will make copies of all such letters and forward them to the appropriate Director or Directors.

Related Person Transactions. Wesco-Financial Insurance Company (Wes-FIC), a wholly owned subsidiary of Wesco, is headquartered in Omaha, Nebraska, where its business is administered by employees of wholly owned insurance subsidiaries of Berkshire. From time to time, Berkshire has offered to Wes-FIC, and Wes-FIC (with Wesco's concurrence) has accepted, retrocessions of portions of reinsurance contracts under arrangements described on page 11 of Wesco's 2009 Annual Report on Form 10-K. Wesco's and Wes-FIC's boards believe all such retrocessions have been entered into at terms more favorable than Wes-FIC could have obtained elsewhere. In 2009, written premiums of \$329,227,000 were retroceded to Wes-FIC by insurance subsidiaries of Berkshire. Kansas Bankers

Surety Company (KBS), wholly owned by Wes-FIC, is supervised by Berkshire subsidiaries. For several years, two Berkshire subsidiaries have provided reinsurance for KBS at rates believed to be market prices. In 2009, premiums of \$81,000 were ceded to Berkshire subsidiaries, \$157,000 in reinsured losses were allocated to them, and \$1,444,000 of losses which had been reinsured by them in prior years were recovered and repaid to them.

Pursuant to a written policy, Wesco's Audit Committee must ratify or reject any transaction or proposed transaction in which Wesco is a participant if the amount involved exceeds \$120,000 and a related person is also a participant, as that term is defined by the federal securities laws. The transactions with Berkshire and its subsidiaries described above were ratified by Wesco's Audit Committee.

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Board Leadership Structure and the Role of Risk Oversight. Charles T. Munger serves Wesco as both Chairman of the Board and Chief Executive Officer. Wesco's Board and its 80.1% shareholder, Berkshire, believe that it is natural for Mr. Munger, who is also the Vice Chairman of Berkshire, to serve in both roles given that Wesco is a controlled company. Furthermore, this arrangement has worked well for Wesco. Wesco believes the stature, independence and substantive knowledge of its other Directors, as well as the Board's culture of open communication with Mr. Munger and Wesco's other executive officers, are conducive to effective oversight alongside a combined Chairman and CEO position. Furthermore, given that each of Wesco's other Directors is actively engaged in the boardroom and that the relatively small size of the Board facilitates participation, the Board has not designated any one of its members as the lead director.

Risk oversight is a responsibility of the full Board. Wesco has significant property casualty insurance operations, and thus it is in the business of managing risk. Accordingly, risk oversight is a top-level responsibility, and it is not delegated to some smaller subset of the Board. The Audit Committee monitors risks related to its areas of responsibility, and it routinely meets with Wesco's internal auditor to discuss any issues, but all risk-related concerns are ultimately shared with the full Board.

COMPENSATION DISCUSSION AND ANALYSIS

Wesco is a holding company with no employees of its own. Accordingly, Wesco's program of executive compensation is believed different from most public corporations' programs. Messrs. Munger, Jacobson and Greco are not employees of Wesco or a Wesco subsidiary (together, the Wesco Group); nor are they or have they been remunerated directly by any member of the Wesco Group for their services. All three have been employed by Blue Chip. Messrs. Munger and Jacobson are directors, and Mr. Munger is chairman of the board, of Blue Chip.

The Wesco Group reimburses Blue Chip for the services of Messrs. Jacobson and Greco based on Blue Chip's cost of their compensation, including related taxes, benefits, and perquisites, and an estimate of the relative time each individual has devoted to the business of each company.

In determining the allocation to the Wesco Group, Blue Chip's actual cost is simply multiplied by the percentage of time Messrs. Jacobson and Greco estimate in good faith that they devote to the business of the Wesco Group. In 2009, those percentages were approximately 90% for Mr. Jacobson and 95% for Mr. Greco. Nothing else is considered by Mr. Munger or by Wesco's Board in the determination and approval of the amounts reimbursed to Blue Chip, except that, in 2009, in recognition of the extraordinary services provided by Mr. Greco in connection with MS Property Company's development of a multi-story luxury condominium building, Mr. Munger proposed, and the Boards of Wesco and MS Property authorized, that MS Property reimburse Blue Chip for a special \$50,000 bonus to Mr. Greco.

Mr. Jacobson has primary responsibility for all aspects of accounting, financial reporting, and income tax reporting for Blue Chip, Wesco and MS Property. He also performs the other duties typical of chief financial officers on behalf of each of these companies.

Mr. Greco assists Mr. Jacobson with respect to accounting, financial reporting and income tax reporting, and has hands-on responsibility for the Sarbanes-Oxley-required documentation and testing of internal control over financial reporting at the Wesco parent company and MS Property levels, and, ultimately, for the testing of internal control over financial reporting for the Wesco Group. He is also directly responsible for Wesco's internal audit function, from the parent company perspective.

Mr. Munger determines the level of compensation of Blue Chip's executive officers using subjective factors, including individual performance, changes in responsibility and inflation. The profitability of Blue Chip is not considered in setting its executives' compensation. Wesco and its subsidiaries do not reimburse Blue Chip for Mr. Munger's services.

Wesco's Board, at least annually, reviews and approves the compensation of, or any reimbursement to Blue Chip for, Wesco's executive officers based on the recommendations of Mr. Munger.

The sharing of executives, as well as the allocation of their compensation among Blue Chip and the Wesco Group, was the product of evolution. Mr. Jacobson had been involved in the financial reporting for Blue Chip as an auditor with Price Waterhouse beginning in 1969, and then as an employee of Blue Chip beginning in 1977. He has also been involved in the development of consolidated Wesco financial information for inclusion in the consolidated financial reporting of Blue Chip, when it was a publicly owned company until mid-1983, and of Berkshire, since

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approximately the mid-1970s. Throughout the early 1980s, he had assumed increasing responsibilities for the financial and income tax reporting for Wesco and its savings and loan subsidiary, in addition to his similar responsibilities for Blue Chip.

In 1984, Mr. Munger, Chairman and CEO of Blue Chip, as well as a Wesco Director, became Chairman and CEO of Wesco and of its savings and loan subsidiary, and Mr. Jacobson was appointed Chief Financial Officer of Wesco and the savings and loan subsidiary. He also retained his financial reporting responsibilities for Blue Chip, and Blue Chip began to apportion the cost of Mr. Jacobson's compensation and benefits to Wesco and its subsidiary.

When Mr. Greco was hired, because Wesco did not and still does not have any employees of its own, he logically became an employee of Blue Chip just like Mr. Jacobson.

No tax considerations have been taken into account in the structuring of Wesco's executive compensation or in the allocation of such compensation among Blue Chip and the Wesco Group, and no outside compensation consultants have been used. Wesco has no equity plans, deferred compensation arrangements, non-equity incentive or pension plans for its executive officers. Neither the profitability of Wesco nor the market price of Wesco's stock is considered in setting executive compensation.

Factors considered by Mr. Munger in setting the level of remuneration of Mr. Sahn, who is employed by a member of the Wesco Group and not Blue Chip, are typically subjective and include his performance, changes in responsibilities and inflation.

BOARD OF DIRECTORS REPORT ON COMPENSATION

The Board reviewed and discussed the Compensation Discussion and Analysis section with Wesco management and, based on such review and discussion, recommended that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by Wesco's Board of Directors: Charles T. Munger, Carolyn H. Carlburg, Robert E. Denham, Robert T. Flaherty, Peter D. Kaufman and Elizabeth Caspers Peters.

COMPENSATION OF EXECUTIVE OFFICERS

The following table shows compensation paid by the Wesco Group to Wesco's executive officers for the years ended December 31, 2009, 2008 and 2007.⁽¹⁾

Name and Capacity in Which Served	Year	Salary ⁽²⁾	Annual Compensation		Total
			Bonus ⁽³⁾	All Other ⁽⁴⁾	
Charles T. Munger Chairman of the Board, President and Chief Executive Officer of Wesco	2009	\$	\$	\$	\$
	2008				
	2007				
Jeffrey L. Jacobson Vice President and Chief Financial Officer of Wesco and MS Property Company	2009	276,600			276,600
	2008	286,000			286,000

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	2007	234,000			234,000
Robert E. Sahm Vice President of Wesco and President of MS Property Company	2009	242,400	20,400	14,865	277,665
	2008	235,200	20,000	20,822	276,022
	2007	225,900	19,250	10,051	255,201
Christopher M. Greco Treasurer of Wesco and Executive Vice President of MS Property Company	2009	256,400			256,400
	2008	177,600			177,600
	2007	141,000			141,000

- (1) Wesco has no equity plans, deferred compensation arrangements, non-equity incentive or pension plans for its executive officers.
- (2) Messrs. Munger, Jacobson and Greco have been employees of, and compensated by, Blue Chip but have spent a portion of their time on the activities of Wesco and its subsidiaries. The figures shown in this column for Messrs. Jacobson and Greco represent amounts paid to Blue Chip by Wesco or its subsidiaries for their services. Blue Chip has not been compensated by Wesco or its subsidiaries for Mr. Munger's services. Mr. Munger was paid a total of \$100,000 annually by Blue Chip for 2009, 2008 and 2007. Mr. Sahm is compensated by MS Property Company.

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- (3) Mr. Sahm's bonus is based on a length-of-service formula applicable to all employees of MS Property Company and is equal to one month's salary.
- (4) Represents the value of company-owned automobile and club dues paid by MS Property.

DIRECTOR COMPENSATION

Directors who are not officers currently receive fees totaling \$9,000 per year, plus \$750 for each special meeting of the Board which they attend. The chair of the Audit Committee receives an additional \$9,000 per year, and each other member of the Audit Committee receives \$750 for each Audit Committee meeting attended. Mr. Munger does not receive any compensation for serving as a Director. Wesco's directors do not participate in any equity plans, deferred compensation arrangements, non-equity incentive plans, pensions or other arrangements. All compensation is paid in cash and is disclosed in the table.