

Forbes

The battles lost, the war won

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and Robert McGough

IT TOOK 12 YEARS and all of the power of the Federal Reserve Board—including a Supreme Court decision and a Federal Reserve order—to force Siggie B. Wilzig to agree on Dec. 21, 1982 that Wilshire Oil Co., an oil and gas exploration company, would spin off its 90%-owned bank, Trust Co. of New Jersey.

But Siggie Wilzig won the war even if he lost the last battle. Why?

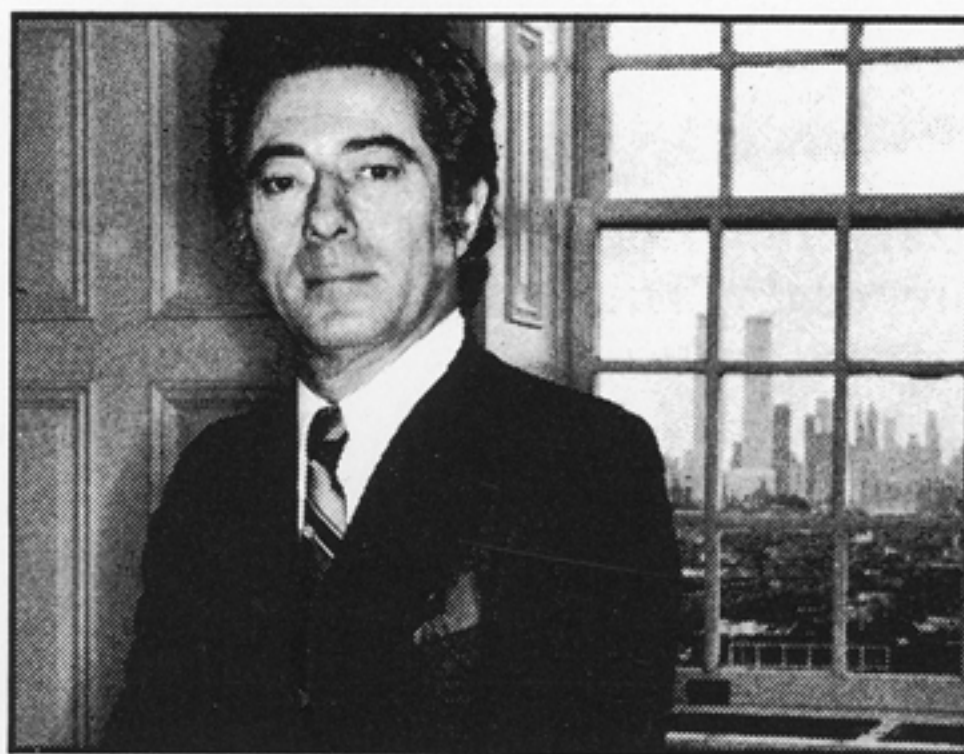
Wilshire defied a Dec. 31, 1980 deadline in the Bank Holding Company Act amendments of 1970. After the deadline, no industrial company was supposed to own a bank. Wilzig was the only one of the 400-odd outfits involved to put up a last-ditch fight. In fighting he won considerable advantages, both for his bank and for his small oil company. The oil company was able to shelter the bank's profits, with tax credits it couldn't use.

Maintaining "I have the law on my side," Wilzig consented to divestiture on the very last day before a trustee holding Wilshire's shares of Trust Co. would have been ordered by federal courts to sell the stock.

He will issue about 112 shares of Trust Co. for each 1,000 Wilshire shares to Wilshire holders. So the two companies will be separate but will have the same stockholders. Not the least of whom is Wilzig.

So who is Siggie Wilzig? Among other things, a 56-year-old former inmate of Auschwitz. He is also—as the staff at the Federal Reserve Board is now painfully aware—"hard driving and a creative financial thinker." Furthermore, he is lucky, or very smart.

"I am the only one alive of a high school of 1,500," he says of his days in Nazi Germany. His father was beaten



Wilzig of Trust Co. of New Jersey
"I have the law on my side."

to death in his presence; his mother was killed, too.

He, too, would have been exterminated, but on entering the concentration camp he said he was 18 years old, although he was really only 16. That qualified him as useful slave labor. Later, all those under 18 and over 45 were killed. So, lucky. Or smart. And very tough.

Wilzig made some money in the early 1960s investing in Canadian oil and gas stocks. In 1964 he convinced 20 investors to join him in buying 17% of Wilshire Oil and getting board representation but not control.

Within a few months, the president of Wilshire died, and the majority of the board members asked Wilzig to take over.

From a company with pretax income of \$69,000 in 1965, Wilshire has grown enough to have earnings of over \$10 million in 1982, more than double the previous year.

Wilzig is no longer formally an officer of Wilshire Oil Co. He has chosen to head the Trust Co. instead. Bank earnings have grown from \$500,000 in 1980 to \$4.5 million in 1981 and between \$8 million and \$10 million in 1982. But make no mistake: Wilzig's presence will be felt at Wilshire

through his position as "consultant" and through his ties to Nathan White, his hand-picked successor. So, the Federal Reserve Board was hardly a match for Wilzig, all of 5 feet 6.

"Just because Volcker screams that we are wrong doesn't mean we are wrong," snaps Wilzig. "First and foremost, the law defines a bank as one that takes demand deposits and makes commercial loans. We wanted to tell depositors they may have to give 14 days' notice before withdrawing money. This would eliminate all demand deposits."

The Fed and the Supreme Court vetoed that because Wilshire had no intention of ever actually imposing the 14-day notice. Wilzig shrugs.

The Fed also made Wilzig pay a fine of \$1,000 a day for his stubbornness. He laughs. "We are earning \$15,000 to \$20,000 a day at the bank. Only someone at the Fed would believe that \$1,000 a day is a penalty."

Explaining why Wilshire is not suffering like other oil companies—earnings were up about 100% last year, remember—he says, "We have always believed that one drop of American oil is more than a barrel of foreign crude, so we have never explored outside of the U.S. and Canada—even before the 1973 Yom Kippur War, which made OPEC so powerful."

The company actually is more a gas producer than an oil producer, with revenues from natural gas exceeding oil revenues 3-to-2. This mix has been fortunate; while oil prices weakened, the gradual deregulation of gas prices buoyed Wilshire's earnings. As more of the gas Wilshire drills qualifies for higher prices, those profits will expand. In early 1983 Wilshire will finish a payback arrangement with Denison Mines, one of its three partners in the Gulf of Mexico. Denison currently takes half of Wilshire's interest in gas production in the gulf, but later this year Wilshire's share of the revenues will double to 25%.

The cash flow from bank profits and tax savings will be replaced for Wilshire Oil through oil and gas partnership joint ventures. "We can easily raise \$10 million a year through these shelters," says Wilzig.

What will happen to the bank? "There are quite a few weak thrifts, which can be acquired at low cost," says Wilzig. The bank itself will be looking for bigger customers who want larger loans.

Not many men would have fought the mighty Fed as stubbornly—and shall we say as cynically—as Wilzig did. But what's the Fed when you have survived the Gestapo? ■