These notes are recollections only, without the aid of a recording device. They should not be relied upon. – PB

(Paul Anka and Warren Buffett sing a duet in the opening movie: Warren sings a stanza or two to Debbie Bosanek, his long-time assistant, and then Paul sings, but "but she doesn't do Dallas…" [Ed note: *Debbie doesn't do Dallas – now that is subtle! Kudos to Debbie, Warren and Paul*]

WB: Good morning. Before we start, two very special guests have to stand up. Even though he was on tour, he took quick detour. My friend Paul Anka please stand up. [*clapping*] With all the talk about my succession I wanted to hook up with someone famous for a possible second career. We're available for weddings, bar mitzvahs and funerals. We got offered $1000 for Paul and me, which seemed ridiculous. I was insulted, they said OK, and offered $10,000 for just Paul. We have one other very special guest. This affair doesn't happen by itself. She even had a baby boy named Brady in September. She organized everything here today, please thank Carrie Sova. [*clapping*]

Ok now we get to the minor players and will introduce the Board of Directors. We'll have the shareholders meeting after, then recess for 15min, then at 3:45 begin the shareholder meeting. I'll introduce the Board, but please hold your applause until I'm finished introducing then you can go crazy. In alphabetical order: Howard Buffett, Steve Burke, Susan Decker, Bill Gates, David Gottesman, Charlotte Guyman, Don Keogh, Charlie Munger, Tom Murphy, Ron Olson, Walter Scott, Meryl Witmer. That is Board of Directors of Berkshire. [*clapping*]

We have a couple slides then we'll move into questions until noon, back at 1pm, continue until 3:30pm. We released our earnings yesterday. We try to do that on a Friday so you have full weekend to digest the 10q which we make available. Don't just look at the summary, it makes great reading. This is our summary slide for Q1, operating earnings were down a bit year on year, mainly accountable from our insurance underwriting business. On a quarterly basis, this segment is not very meaningful, often it is foreign exchange related. We have $77bil of float in our insurance business now that is ours to invest. It is underwriting profit if it doesn't cost us to hold. Satisfactory in Q1 but down from Q1 last year. It is a liability on the balance sheet, but if cost free, it does as much good as net worth does on the balance sheet. If we average no underwriting profit over the life of the business I'll be very happy and you should be too. We advise you to pay no attention to quarterly or annual realized gains in securities. We make no attempt to time sales in any quarter. We focus on gains over the longer term. But ignore it in shorter term earnings.

With that I'd like to give you a preview of a vote that was taken, it is remarkable. We had a shareholder resolution to pay a dividend, implying we weren't paying a dividend because we were living in this grand style to which we are accustomed, and shareholders were living bereft of millions. We have no proxy vote service companies, and we just counted the votes as they come in. Among class A, it was 90:1 against a dividend, but you may think that I stuffed ballot box, which I did. [*laughter*] So I took out my votes and it was 40:1 among untainted shareholders. But maybe it is Warren and his rich friends and all the plutocrats in the class A shares who voted against it? But among B shareholders, and we may have one million shareholders of class B, and remarkably, they voted against by a ratio of 45:1, and we were not making any calls to get their vote. I'm not sure any company in world would get quite that vote. And one more slide, which is the disturbing part of that vote, among B shareholders, 97% voted for me. It's a close vote for either getting rid of me or paying a dividend. The number of people that wanted to have a dividend and wanted me to get out of the place were neck and neck. So you can see why I'm adverse to proposing the dividend to the Board of Directors.

With that we'll do questioning as we always do. Reporters, analysts, and shareholders – we will alternate.

Q1. Carol Loomis. We get hundreds if not thousands of questions. If we don't get to your question, please excuse us. We haven't shared with Warren or Charlie, but they read the news so some of the questions may be familiar. The first one is from Will Eldridge in NYC: Coca-Cola recently approved a magnanimous compensation plan. You did not tell shareholders before you voted. After the vote you said it was excessive, but you didn't say that before. And you did not vote against, you only abstained. I cannot see how they can stand up under examination. This appears very strange un-Buffetlike behavior. Why did you abstain?

WB: Strange behavior is frequently Buffett-like [*laughter*]. The proposal was made by a shareholder who had held a long time. His calculations on dilution were wildly off. I did talk to Mukthar Kent, and told him we would abstain, but that we admired management, but while similar to other plans, we would abstain because we thought the plan was excessive. We announced that shortly after the vote. It is having an effect on compensation plans. That was the most effective way of behaving for Berkshire. We made a clear statement about excess, and we did not go to war with Coca-Cola, and we did not endorse some calculations which were inaccurate. I don't think going to war is a very good idea and if you ally with someone you have to be very sure of whom you go with. I received some letters on it, after they had been released to press. I think best to be careful of alliances with someone you don't know. I think we got the best result for Coca-Cola. Charlie?

CM: I think we did everything right --I think you handled the whole situation very well. [*laughter*]

WB: Well then, Charlie remains Vice Chairman. [*laughter*] I talked to Charlie before the vote. I should point out, in fairness to David Winters, he took figures from the proxy statement, so I can't fault him for that. But for those of you who like to think about dilution, Coca-Cola has regularly repurchased shares issued, so share count has come down a bit. It involves 500m shares, issued over four years. I'll make it simpler, and leave out options versus performance shares. That is a lot of shares. Assuming all options are issued at 40, and when exercised, the stock is 60, then this is a $10bil transfer of value ($20x500m shares). However, the company gets a tax deduction for $10bil expense. At present tax rate, this is worth about $3.5bil in less tax. It gets $20bil of proceeds, add $3.5bil of tax savings, and Coca-Cola receives $23.5bil. Company will likely buy in 391,666,666 shares at $60, so in effect, the Coca-Cola company would be out 108m shares, on 44.4bil total. Dilution, assuming they are buying shares, is about 2.5% dilution.   You can change purchase price but doesn't change things very much. I don't like dilution, and I don't like 2.5%, but it's much less than the numbers quoted.

Q2: Jonathan Brandt: Berkshire's success historically has been hands off. 3G is more hands on. Is there a way to use zero based budgeting on BRK subsidiaries? Is it consistent to hire a 3G alumnus to run subsidiary of Berkshire?

WB: I don't think two styles blend very well. 3G does magnificent job running businesses, and there is no question that it is a different style. I don't think it would pay to try to blend the two. I think we will see more opportunities to partner with 3G. They are as able as anyone I have seen in management of businesses. They are marvelous partners, more than fair. We are very likely to partner with them. Some things we could do would be very large. I don't think blending of two styles would work well. Managers when they join Berkshire are joining a large business unlike anything else. It is a huge corporate asset we have and it will continue to grow. We want to send a clear message to our managers. But we welcome chance to join with 3G in future deals.

CM: I don't think we've ever had a policy of rewarding overstaffing.

WB: At least not at head office, where we only feel happy when people are sitting in each other's laps. [*laughter*] We don't wish to enforce a strong discipline on whether subsidiary has a few too many people. It won't always be true. We encourage by example but not by edict.

CM: I think a lot of great businesses spill a little, because they don't want to be fanatics and that's OK. I don't think you need to have the last nickel out of the staffing costs.

*Q3: Station 1: Doug, Colorado. Wynn said Obama is the biggest wet blanket to the economy. Other countries are lowering taxes and reducing debt. Can you co*nvince *Obama to change the train's direction?*

WB: Doug I think I'll let you communicate with him directly. I don't agree with a number of things you say. American business is doing exceptionally well. We will have a difference of opinion on politics, and you won't convince me and I won't convince you. Just look at corporate profits, and a chart of corporate taxes as a percentage of GDP. Corporate taxes are down from 4% to 2% of GDP, when other taxes have increased. American earnings on net tangible assets, the measure of profitability overall, is the envy of the world. We have extraordinary returns. Our tax rate for corporates is lower now than when Charlie and I were operating. We'll call a truce. I'll let Charlie comment.

CM: I'm going to avoid this one.

WB: And people complain about me abstaining! [*laughter*]

Q4. Becky Quick (BQ): Much admiration, but if management wasn't capable of returning better return than index, are you changing yardstick? Missed five year average return versus S&P?

WB: We are not changing the yardstick. We said in the 2012 annual report that we would do worse in good years, and we said that if the market was strong in 2013, I predicted our streak will end. I think there were 2 years in last 40 where market did better than last year. We will underperform in strong years, we will match in medium years, and we will do better in down years. Over any cycle we will outperform, but there is no guarantee on that.

CM: WB talks about increasing book value after paying full corporate taxes of 35%. Indices don't have to pay taxes. In last 10 years, Berkshire's pretax profits increased by $90billion. If this is failure I want more of it.

Q5: Jay Gelb (JG): Intrinsic value, you signal undervalued versus intrinsic value. What can you do about it? Would you consider an IPO of the operating units?

WB: No on the second part of that. We try to explain intrinsic value (and I've never seen an annual which uses that term) where there is a difference between carrying value and real value. GEICO is carried at $1bil over tangible, but it is really worth $20bil over. We are eager to buy stock at 120% of book value. Book is $230bil. And obviously I think that $45bil over that figure we are getting a bargain over intrinsic. It changes from day to day, but not a lot, but changes over the quarters and years. If you ask Charlie and me to write down a figure as to intrinsic value, I think we'd be within 5% of each other, but not 1%. We will continue to try to give information to shareholders on the important units at Berkshire. Some of our small businesses may be worth $1bil or even $2bil, but the small ones don't have a big impact. Railroad, utility and insurance are big, and we try to use the words and numbers that we use when thinking about those businesses ourselves. We only believe in repurchasing shares when we can buy at a discount to intrinsic value. The 120% is a loud shout out as to a figure that we think is significantly below intrinsic. Some companies buy in shares to cover options. You shouldn't buy it in if shares are overvalued. Negating dilution isn't right when shares are expensive. If management can buy a dollar bill for 90 cents, they are doing shareholders a good job. If spend $1.10, not helping.

CM: We've never wanted to get [BRK share price] way over intrinsic value to be able to issue shares. We don't want an advantage for ourselves and disadvantage for them. The people who want the price up want egg in their beer. It's ok if it's a little below. I think stock will eventually go above whether we like it or not.

WB: We have watched this in past, conglomerates issuing stock at high prices to issue and take over companies. It works, but if you cheat on earnings and where do you stop. That is a game we don't want to play, it is very distasteful. And it comes in waves. We don't want to come close to playing it. Unless I'm careful Charlie will name names… so we better move on. [*laughter]*

Q6: Station 2: Los Angeles. Berkshire is known to buy whole companies. Acquisitions of other companies is disruptive. What do you do to gain trust?

WB: We've kept our word to them. We have to be careful about what we promise. We can't promise no layoffs. We can promise that we won't sell their business, even if disappointing, as long as not having continuing losses or labor problems. You would not get a passing grade in business school if you put down our principles for why we keep some businesses, but we made a promise. If we don't keep our promise, word would get around. We list the economic principles, so managers who sell to us know they can count on it. We can't make some promises, and we don't promise never to sell. But we've only had to get rid of a few businesses, including the original textile business. We also let managers continue to run their business. We are now in class that is hard to compete with. A private equity firm won't be impressed by what we put in the back of our annual report. People who are rich and run a company their grandfather started – they don't want to hand it over to a couple MBAs who want to show their stuff. As long as we behave properly, we will maintain that asset, and many will have trouble competing with it. It is how we want to operate. I think it will continue to work well.

CM: Obviously we behave the way we do because we enjoy doing it. Number two, it has done pretty well so we are unlikely to stop.

WB: You can tell he doesn't get paid by the word. [*laughter*]

Q7: ARS: Given your son Howard voted for the Coke pay plan as a director, how will he be a 'Protector of culture' at Berkshire?

WB: I voted, as a director of various companies, I have voted for acquisition and comp plans that didn't make sense. The nature, and this is worth exploring, of Boards is that they are part business organizations and part social organizations. They behave with both a business brain and a social brain. In 55 years of being on corporate boards, 19 companies other than Berkshire, I've never seen a comp plan come in and get a dissenting vote. Board delegates decision to a compensation committee. The compensation committee reports on activities. You delegated to this committee. That is way it works. I'm not saying that is the way it should work. Bear in mind that independent directors receiving $200k or $300k, they are not independent. For going to work 4-6 times a year, there is pleasant company when get there – it's good work. I was on compensation committee once, and the result was not good, they don't look for Doberman's, they want Cocker Spaniels with their tails wagging. My son Howard's (and my two other children's) job is not to select the CEO or to set compensation. Howard is there to facilitate a change if Board of Directors decide it is needed. Howie is perfect guy to carry that out. I voted for compensation plans in various places that were far from perfect. I was made chairman of Salomon's…

CM: Warren was voted down at Salomon Inc. I think general idea that people should shout down everything they disapprove of isn't right. In life you have to pick your spots. If we all did that, we wouldn't be able to hear each other.

WB: If you keep belching at the dinner table, you will soon be eating in kitchen. [*laughter*] People need to pick their spots or they will not only be ignored, but not heard on other issues. Charlie gives the marital advice around here. Attempting to change the behavior of others...

CM: I offend more people than you do, and I am satisfied with the level of disapproval.

Q8: Gregory Warren, Morningstar (GW): The measure of a good management is ability to generate outsized returns, but sheer size makes it hard. What is cost of capital now, with new capex-heavy firms?

WB: There is no question that size is an anchor to performance. We intend to prove that up to the point it starts really biting. We can't have same returns on capital base, market cap of $300bil. Archimedes, didn't he say he could move the world if he had a long enough lever, and wish I had that lever. We'll answer two questions. Cost of capital is what can be produced by our second best idea. Our best idea has to exceed that. We've heard so many discussions on how to figure out the cost of capital…

CM: I've never heard an intelligent one.

WB: We don't know, I probably vote if I don't like it but some exceptions to that. The real test over time is that the capital we retain produces more than a dollar of market value over time. If we keep putting billions in, and adding more than their cost, we'll keep doing it. We are spending close to $3bil on a Canadian company, and we will be better off and that was best thing to do that day with that $3bil. I've never seen a CEO wanting to do a deal and a CFO say it didn't exceed cost of capital. We think we can evaluate businesses, we know our capital. We are constantly measuring that opportunity cost, it is an important subject.

CM: A phrase like "cost of capital" we just don't use it. Warren's definition of adding more in market value than we put in will never be taught in business school – the phrase to retain to create more value, is the best description. It's simple: we're right, and they are wrong.

WB: I look good compared to him, don't I? [*laughter*]

Q9: Station 9, Omaha. Did you buy the Nebraska Furniture Mart at 85% of book value, or 2x earnings?

WB: I wish we had bought it that cheap. We paid 11 or 12x p/e for 80% of company, and it was not a discount to book, $60m was the equivalent full purchase price, and there was a second transaction involved. $60m for 100%, was not a bargain purchase, it was more than book at the time. It would have been a multiple 11x or 12x pre-tax. It had $100m sales, pretax 7% margin, or about 4.5% after tax. That is ballpark. It was great business, but it was not a bargain. It was great opportunity to join with this great family. There was another company from Germany trying to buy it at time. Erskine Bowles was representing them actually. On my birthday in 1983, in August, I gave a letter to Mrs. B, and Louis her son told her what was in it. I asked, did she owe any money, did she own building? No, and yes she did. If you want to talk bargain purchases, we should talk about going out to NFM for shopping. We had a record $40m in sales for the week last year. We are up 7% now vs. last year. On Tuesday we did $7.8m. We own largest furniture store in Reno, Las Vegas, etc. Our sales on Tuesday were larger than the monthly sales at any of those places. And good news that there is still time! [*laughter*] I have to give a plug for the new Dallas store. It is store you wouldn't believe - it has 1.8m square feet. It will do more volume than any other home furnishings store in world… by a factor of 2. We are even putting in streets. Michelle showed me around last week. Michelle started work at NFM as a cashier, and now she is in charge of a hundred of millions dollar project. It is the good thing about America. And her number two person who came with us, that was Michelle's husband. Interesting pillow talk, how many cubic yards did you move today…? [*laughter*]

Q10: CL: Most popular question asked. You are trustee for wife's benefit, 10% in short term bonds, and 90% in S&P low cost fund. Why an index fund, not Berkshire shares? Is it because the Index fund will outperform when the company is run by a new CEO?

WB: That letter didn't come from Vanguard by any chance, did it? [*laughter*] When I die, every single share will go to 5 foundations. They will be distributed over 10 years after my estate is closed. My instructions are to not sell any Berkshire shares until they have to be sold. My views on Berkshire are so solid – I can't think of anything better to do with it. For my wife, it is not a question of maximizing capital, it is about maximizing safety and not doing worse. It is a peace of mind question. On the part I care about maximizing, I have instructed the three trustees not to sell a single share until they have to, that is good for [5] yrs.

CM: Warren is peculiar about how he distributes money to his family. I think he should do as he damn well pleases. [*light applause*]

WB: Do I hear any of my children applauding?

CM : You are down to a few trifles, Warren, and Susie was the same, really is a meritocrat. He wants money to go back to civilization in which it was earned. I like being associated with it.

Q11: Jonathan Brandt: BNSF doing well, but Union Pacific has grown earnings more?

WB: We've handled more volume than in past. In 2006, we did 219k peak carloads. We've had a lot of service problems on the northern route. We've been spending more money than Union Pacific, and they spend a lot, to try to anticipate problems. And when you get a big increase in volume on that one route, from Bakken shale oil, there are a lot of trains running now that weren't running five years ago. Matt Rose might address problems of cold weather. Sending people out to work on problem at that temperature can be life threatening.

Matt Rose: Industry grew at [+100k] units, and we handled 53% of units. Oil came a lot faster than we expected, and we've been spending to build into it. I've been CEO 13 years, and I have never seen weather like it this past winter. We had 83 inches of snow in Chicago. Multiple days were not over zero degrees in Minnesota. We know it is an outdoor sport. We handled 206k units last week. No railroad has handled 205k units. We are making investments.

WB: We will spend $5bil on the railroad this year. No railroad has spent close to that. I got a letter from guy who was having problems getting fertilizer. We did 52 [cars], and they will get there in time for the planting. We take it seriously. Now it can flood in the summer. We are functioning better and earnings are likely to be better. But incredible floods can hurt too. We are dealing with 23,000 miles of track. One weak link is Chicago for all four railroads. But you are right Jon, in comparative financials, and Matt and I are paying a lot of attention and I think will get better over the rest of this year.

Q12: Station 4, Omaha. Berkshire uses natural gas to generate electricity. How can we get an adequate supply of natural gas, and if price goes up, how can company sell electricity with satisfactory return?

WB: We are the largest alternative energy source in the country. By 2015, 40% of our electricity in Iowa will come through wind. It is unlike any other company you can find in the country. Greg will answer specifics on natural gas dependent units. I'm not worried about the issue you raised, we have opportunity to shift to coal.

Greg Abel: Matt touched on the very cold winter we had in the Midwest. We were challenged. Natural gas was available to heat homes and keep lights on. But clearly we have to look at unique situation, as we move to using more gas in US. This past year we were, in renewables, 39% wind in Iowa in 2013.

There is a way to meet needs of customers in cost effective way. We have unique ways in our utilities, when we pay more for gas for instance, we have clear pass-throughs back to our customers.

WB: Our gas pipelines move about 8% of natural gas in USA. Gas into this area comes through a pipeline we own. We renamed to Berkshire Hathaway Energy. When we bought it from Enron (and Dynergy in between), they had skimped on maintenance. It was ranked #42 out of 42. Last year it was ranked #1. Went from last to first under Greg's management, and so I tip my hat to him. #2 was our other pipeline, so we are running 1 and 2 at the moment.

Q13: BQ: Successor question is common, but any discussion about a replacement for Charlie? Dynamic duo still?

WB: Charlie is my canary in the coal mine. Charlie recently turned 90, and I find it encouraging how he is handling middle age. [*laughter*] But now I'm getting sensitive -- you raised a point -- they never talk about replacing Charlie. I think likely that whoever replaces me as CEO will have someone they work with very closely, it is a great way to operate. Berkshire is better off because we worked together, there is no question. [*clapping*] I do think Goizueta & Keogh, Cap Cities Tom Murphy & Dan Burke, and company accomplished far more because of two incredible people with complimentary talents. It is great way to operate. You can't will it to somebody. If a few years after successor takes over, I'd be very surprised if there wasn't some relationship or partnership, it can enhance achievements and the fun they have. But no one has brought up successor to Charlie.

CM: I don't think the world has much to worry about. Most 90 year old men are gone soon enough.

WB: The canary has spoken. [*laughter*]

Q14: JG: Chairman position at BNSF for Matt Rose? Ajit?

WB: Only succession for Ajit is reincarnation. But we don't have to worry for a long time. Matt Rose's decision has no impact on succession at Berkshire. Matt's plan was designed to fit for issues at BNSF. I have letters from every one of my managers telling me what I should do if something happens to them tonight. In some they talk about more than one person, and strengths and weaknesses. I wouldn't make assumptions about subsidiaries.

CM: I am not the least bit worried about it. I wish my biggest problem was succession at Berkshire. We are in very good shape.

Q15: Station 5, Minnesota. If you were required to invest total net worth in company, in 2009, it was Wells Fargo. And today?

WB: Did you exclude Berkshire? It's a great question, but it is not going to get an answer.

CM: You answered it perfectly. ..

Q16: ARS: Proxy statements, highest paid executives. Warren, Charlie and Marc Only. It would be instructive to include others, like Ajit or Matt. Would you in spirit of transparency add? How much should next CEO be paid?

WB: The next CEO is entitled to a lot, how much they accept is interesting question. I intend to write about it in the next annual report. We are following the SEC rules on officers required to be in proxy statement. In my sporting mood, Comcast has people who make a lot more money than those listed in proxy statement. Is it to benefit of shareholders to list everyone, like the newscasters? I think shareholders of Comcast would be hurt by listing top five salaries, at a subsidiary like CNBC. I think there is a good reason for us not publishing salaries of our top ten managers. At Salomon, we mentioned earlier, virtually everyone was dissatisfied with what they made. The absolute amount didn't matter, it was relative to others. When management made secret deal with the arbitrage group, whereby Meriweather got paid a lot of money, and I would argue they earned it, but the jealousy that broke out was a problem. It is very seldom that publishing compensation accomplishes much for shareholders. Corporate CEOs would be being paid a lot less money if proxy statements hadn't revealed how much others were being paid. American shareholders are paying a significant price to look at proxy statements every year.

CM: In a spirit of transparency, you are asking for something that wouldn't be good for shareholders. So we aren't going to do it. We don't want to add to the culture of envy in America. Our practices are envy dampeners.

WB: No CEO looks at proxies and some competitor's salary and thinks "I'm worth less."

CM: Envy is doing this country a lot of harm.

Q17: GW: Retained earnings and capital spending?

WB: BNSF is not going to buy another business. BH Energy will have multiple opportunities to buy other businesses. We spent a substantial amount on NV Energy, and we just bought transmission lines in Alberta. We've come up with really large businesses to buy. At BNSF, we will spend a lot of money to have the best railroad possible, but we won't buy other businesses at BNSF. We will distribute substantial money from BNSF, and have a good level of debt. At MidAmerican we need money from shareholders, 90% is owned by Berkshire and Greg and Walter Scott have balance. If we need more equity we will have a pro-rata subscription, may opt out but purchases will improve the value of their shares. We may invest billions there. But at BNSF we will spend to improve railroad. We've spent $5bil on acquisitions roughly, and $2.8bil on property plant & equipment, but we are finding things to do that tend to sop up the cash. We will always keep $20bil around. We will never be dependent on the kindness of strangers (Although that didn't work out to well for Marge [*meant Blanche*] DuBois….) We cannot depend on anyone else, we have to keep our own strength, we've spent too much time to have that one moment destroy us. We lent to Harley Davidson at 15%. Fine company, but they needed they cash. When you need cash, it is the only thing you need. Cash is like oxygen, you don't notice it 99.9% of the time, but when absent it is the only thing you notice. Above $20bil, we'll try to find ways to invest it intelligently. But we'll never feel the need to spend it.

CM: I think we are very lucky to have these businesses that can employ new capital at respectable rates. Earlier we didn't have such opportunities. Now it is a blessing. No one in his right mind would want to get rid of BNSF and MidAmerican. I love the opportunity to spend money when short term rates are 0.5% or less

WB: Compound interest will catch up with us. It has dampened things, but not delivered its final blow yet.

Q18: Station 6: Please don't move annual meeting to Dallas, I've got my system worked out. Operating companies, and cash to the Mothership. Do you fight or argue when managing partnership?

WB: CM and I have never had an argument. We met when I was 29 and he was 35. In those 55 years, we've disagreed on a lot of things. But it never has and never will lead to an argument. We argue with others. I called Charlie on the Coca-Cola vote.

CM: Most of the time we think alike. That is problem, if one of us misses it, the other is likely to too.

WB: The really bad mistakes we've made, I've made them. I'm a little more inclined to action than Charlie. Would you say that's right, Charlie?

CM: You once called me the 'abominable no man'.

WB: Back to the first part of the question, the cash from the subsidiaries. We don't count the money in the energy business or railroad. I know where it is and where we can make a phone call and get it. With interest rates here, most of companies have more cash than they used to. Set up sweep accounts maybe? Not something we think about day to day. I know when we will need cash. I know what I may do with the cash, and 50/50 probabilities. I know where cash is coming from. Maybe a sweep account would make sense. We are not big disciplinarians. A Berkshire company that has a lot of cash around every once in a while sends me some. I don't want to encourage managers about a new way of behaving, I sort of adapt to the companies, unless I really need it -- then I grab it.

CM: And that's just fine.

Q19: CL: In interview in April, you said I hope we get questions on our weak points. What are they and what can we do about them?

WB: "That would just make it easier for the journalists." We have a lot of weak points. We point them out when we can. If we executed sweep account for subsidiaries, we would have a few more dollars than we have now. We are very disciplined in some ways, and by ordinary business standards undisciplined in other ways. A clear weak point is that I am slow to make personnel changes. CM and I had wonderful friend, and we were slow to make a change, and it wasn't killing us in the business. How long did we go?

CM: I don't know exactly. Sweep account system, it's like a friend who went to give blood and it wasn't flowing very easily and they started squeezing his arm.

WB: Our managers are listening, don't give them that metaphor.

CM: I don't like idea of every dollar that comes in that it gets swept away. Teledyne and Litton, they swept every dime every day, and it created a tone in the company that is less desirable. We took a manager directly from the executive chair directly to the Alzheimers home.

WB: That is sensitive subject Charlie [*laughter*]

CM: I want to be careful.

WB: We will be slow. There will be times when our lack of supervision over subsidiaries will make us miss something. Giving our managers the freedom they enjoy allows them to accomplish a lot. Something will happen, and people will point out the leeway we gave allowed a problem to happen. They will say that if we had more oversight, it wouldn't have happened. They will be right, but they won't be able to measure the gains we have achieved because we gave them so much leeway. We have no HR and no general counsel office. That is unthinkable for most companies. Not a 100% benefit, but on balance it is benefit. You should have been restricting the activities. When it happens we will be criticized, and our reaction will be that that they are wrong, but we will look bad in that individual case.

CM: By the standards of the rest of the world, we over-trust, but are results are better because of it. We have selected people that we can trust. Places work better when they create culture of deserved trust. Modern accounting standards which measures internal controls – it will do more harm than good.

Q20: JB: See's candies – grew profits in 80s, 90s, but not last decade. Why?

WB: Boxed chocolate not growing in the US. If you back 100 years, each city of any size was characterized by shops of chocolate shops. Predecessor to Pepsi cola was candy shop company, most shops were in NYC.

CM: [Charles] Guth.

WB: Lofts was the name of the candy stores in New York City. Boxed chocolates have lost position to other snacks. See's has done remarkably well versus other chocolate companies. We can't do much about increasing the size of the market. We've tried moving out of a strong geography multiple times. What we were earning in CA in 1970s was great, but we tried to move national and we didn't get rich. It doesn't travel that well.

CM: Sometimes it does and sometimes it doesn't. You find out what works by trying it.

WB: In East they prefer dark chocolate, in West it is milk chocolate. We've done very well in See's, it has provided us with earnings to buy other businesses, but really it opened my eyes to the power of brands. We probably made the money in Coca-Cola because we bought See's. We owned one and saw possibilities and what you can do. If we had not owned See's, we may have not have owned Coke.

CM: Main contribution to Berkshire was ignorance removal. If it weren't for fact that we weren't so good at removing ignorance, we'd be nothing today. We were pretty damn stupid when we bought

See's - just a little less stupid enough to buy it. The best thing about Berkshire is that we have removed a lot of ignorance. The nice thing is we still have a lot more ignorance left.

WB: That's what happens when I call on him. [*laughter]*

Q21: Station 7:   BAML investment and Tier 1 capital. Any benefit to Berkshire?

WB: It came about a good many months ago, Brian Moynihan called me and asked me if we would change our preferred from cumulative to non-cumulative preferred. There are certain defects to it. They are a terribly weak form of security, but they count differently in capital cost to banks. But if you do it, Brian said we would be willing to make your preferred non-callable for 5 years. In world of 5 basis point money, I was very willing to make that trade-off. I get five year non-callable 6% preferreds, which I can use as payment for the warrants we have. BofA gets to use it to their benefit in calculation of capital.   The error was done before miscalculation on some structured notes at Merrill Lynch. That error doesn't bother me. We have a 20k page tax return, you do best you can. Error didn't affect GAAP income. They will pay penalty, but doesn't change my feeling about BAML or their management team. Non-cumulative risk is very low for us, and 5 year non-callable is very good for us. Charlie?

CM: Well, I agree with you.

Q22: BQ: NetJets, growth 10 years ago, how is it now?

WB: It is a perfectly good business. NetJets – the number of new unit volume was correlated with the stock market in 2007/2008. We had fair number of people whose income was dependent on stock market behavior, particularly hedge fund managers. When contracts ran out, mostly in 2011 and 2012, they didn't renew. Until the last six or 8 months, net ownership was declining just slightly. That has turned around slightly. But it is not a huge growth business. We are 60% of the industry, and no one is remotely close as second. But I don't see market doubling or tripling. We are going to China soon. But that is a very long range play. We are in EU, but that still is declining in unit volume. Flight hours have picked up in last six months to a year. That fell off previously. I would not characterize it as growth business, but it is satisfactory.

CM: I demonstrated my optimism by buying 25 more hours.

WB: It was a tough sell. [*laughter*]

Q23: JG: Acquisitions, how big? Sources of funds from IBM and other stock holdings?

WB: They could be a source of funds but unlikely to sell them. Our goal is to buy big businesses. We are about building earning power. We are looking to add earning power to Berkshire. We don't get opportunities that often. If opportunity is large enough, we can dip into huge reservoir of securities. We have $40bil and I'm willing to take it to $20bil. That could happen, this year, or ten years from now, you never know.

CM: I think our acquisitions have been irregular in past, and will be irregular in future. We will get more automatic reinvestment of capital in BNSF and energy.

WB: What really turns us on is finding a business that will be earning money 20-30 years from now. Profits from marketable securities have helped. We have Todd and Ted thinking about marketable securities. But what we are really spending our time on is buying businesses. If we wanted to raise $10bil, the stocks we would sell would not be the names you mentioned.

Q24: Station 8, Genoa Italy. Increasing leverage for Berkshire? Following acquisition of BNSF, a few years ago, partially financed by Berkshire stock, we had cash around. Increase leverage today? Why not go out for several billions in bonds with long maturity and make good use of it?

WB: What you say makes great sense. But if you asked Charlie and me 40 years ago if we were looking at present set of interest rates, and would we borrow money for long term, we would have said yes.

CM: It wouldn't have been a hard decision.

WB: We have way to generate cash through our insurance float of $77bil. We don't like to operate conservative leveraged company and then change path. We don't want to impact the value to people who have bought AA debt at par in the past. We have no problem leveraging the utility or BNSF. But if you analytically look at them, both could withstand more debt. When we bought BNSF, using equity helped them make the deal. It was not a smart deal. I could have repurchased stock after and should have. Another $30-40bil of debt would be nothing, would cost very little. We don't have great places to put it however, evidenced by $25bil of excess cash. We are selling structured settlements that have very long duration, and interest costs are less than selling bonds. If see a really good $50bil deal, we'd find ways to borrow the money after we did it.

CM: I think we'd welcome it. But we would not do it in advance.

Q25: ARS. Galena IL – BYD is like Tesla. Coal hauling business. How about risks and opportunities in climate change?

WB: Stated facts on a lot of businesses. It can have an impact on insurance. BNSF will carry less coal at some point too. But the changes don't operate in the time period of our businesses. When Ajit and I talk about catastrophe insurance, it about earthquakes in NZ, etc. The impact of climate change on year to year catastrophe probabilities is very low. We'll continue to develop alternative forms of energy. We're happy to carry the coal. We are a common carrier. We might want not to carry ammonia, but we are a common carrier, so by law we have to carry freight offered to us. In making investment decision in BH or most countries, I don't think climate change should be factor in decision process.

CM: I think that most who claim climate change will change tornados and storms, are mostly overclaiming. Most are talking through their hats. We are agnostic. There clearly is global warming. But there is a class of people who like having catastrophes to worry about. We are very well located long term no matter what weather. We'll have to produce more electricity from wind and sun. GEICO made a lot of money from internet which they didn't plan on. We are in good shape but don't deserve credit for it, we just stumbled into it.

Q26: GW: $7bil each now for Todd and Ted. How much now running, and what growing into? How will roles expand?

WB: I got through college answering fewer questions than that. [*laughter*] It is $7bil now. We will change that upwards, but not month by month. They will be handling more money in future than they are now. They are seeing it gets a little more difficult as sums get larger. It is better to move money to them and away from me as time passes. They are both terrific for Berkshire, they each know a whole lot about business and a whole lot about management, and a lot comes across my desk, and I get an idea on it, but they can get involved. It is a cinch that that this will continue. They don't ask for extra compensation. They are 100% attuned to Berkshire. They know how I think. It's been a big big plus for Berkshire. They will be more important as years go by.

CM: I've nothing to add.

Q27: Station 9. Toronto. Low rates have led to housing bubble, and potentially a bond bubble, do you see need for hike in rates?

WB: Who would have guessed rates this low for this long? I would say I am surprised at how well things are going. It is working well. I would like to say I would have done same thing and take credit. I was surprised. It is very interesting movie, we haven't seen before, and we don't know how it ends. I think Bernanke was a hero at time of crash and subsequently. Very smart man, he handled things very well. When minutes of Fed became available for 2007 and 2008, we saw that members of Fed were not getting it. It was fascinating. They didn't seem to understand how serious things were. He was not getting unanimous view from those around him. But he went ahead with them, and did masterful job. We will see how this movie plays out – if we keep rates close to zero for long time, and tapering but still buying.

CM: No one in Japan would have anticipated that rates could stay down for 20 years and common stocks would decline for 20 years. Strange things have happened, and it is confusing to economists. At Berkshire not many long term bonds are being bought.

WB: Cash was king, but only if you used it. People cling to cash at wrong times. Zero interest rates has had huge effect on economy and asset prices. This is not a bubble situation we are living in, but it is unusual.

CM: No, I'm as confused as you are. [*laughter*]

WB: That's why we get along so well. [*laughter*]

Q28: CL: You have been looking for bear, but that is silly. I'm not a bear on Berkshire. But conglomerates have not worked particularly well. But probabilities not favorable that successors will have it work well.

WB: Model has worked well for America actually, as disparate businesses have done well over time. Dow Jones as one entity, as a changing group of companies over a 100 year period. Seeing the index rise from 66 to 11,000 suggests it is good model, although agree that it is not all under one management team. Owning good business group is good idea. Litton Industries, and Gulf & Western, they were put together on idea of serial acquiring: issuing stock at 20x to buy businesses at 10x.   It is an idea of fooling people to ride on a chain letter scheme. I think our business plan makes sense. Group of diversified businesses and conservatively capitalized. Capitalism is about allocation of capital. We have system where we can allocate capital without tax consequences. We can move the capital to where it can be usefully employed.   No one else better situated, and it makes good sense, but must be applied with business principles instead of stock promotion principles. And some conglomerates were stock promotion techniques, and were serial acquirers and issuers of stock. If issuing stock continuously, chain letter game goes on, that does come to an end.

CM: There are a couple differences between us and the failures in the conglomerate model. We have an alternative when there are no companies to buy, as we have the insurance portfolio to invest. And we feel no compulsion to buy. Mellon Brothers did very, very well for 50-60 years, they were a lot like us. We are not a standard conglomerate like Gulf & Western. It is as if Mellon brothers had gone on forever.

WB: Now you're talking. [*laughter*]

Q29: JB: Forest River, why is it doing so well? Is Forest River taking lower margins to beat Thor. With three companies with 85% of the market it is harder to have new competitor enter.

WB: We bought Forest River ten years ago. Pete runs it, and he's not an MBA type, but he's a terrific guy. [*laughter*] That was not a statement but an observation. Pete built a very successful but much smaller business. He sold it to private equity, they had different ideas about things and he told them to go to hell, and not long after it went bankrupt. He bought it out of bankruptcy and one day came to see me. We went to dinner that night, and he brought his wife and daughter, made a few promises, and we've lived happily ever after. I've never even been to the factory in Elkhart, Indiana, and I hope it is there! [*laughter*] We made a deal on incentive comp and base comp. And it will do over $4bil of revenue this year. I have had three or four phone calls with him the whole time. I don't know about Thor versus Forest River, but I think tough to compete with Pete under any circumstances. The IT department consists of 6 people, he knows what is going on in the place. The important thing is that it is his company, and you work on narrow margins. I know I can't run an RV company. Probably 11-12% gross margins, 5-6% SG&A, so margins in 6% or so range. We worked out an incentive comp that afternoon. It has worked for him, and for us, there couldn't be better arrangement. We could use 20 more like it, it is leader in its industry.

Q30: Station 10. Toronto, Canada. Your view on oil sands and the impact on Berkshire?

WB: In terms of oil sands, it is not a huge impact on Berkshire. We have a crane business at Marmon that does a lot of business in oil development generally. It is active in oil sands. We will have the transmission company covering 85% of Alberta, 8k miles or so of transmission lines. Oil sands are huge.

We own some Exxon Mobil, they have oil sands. We are moving 700k barrels of day of crude oil on our railroad. We have 9 unit trains that carry 100 cars, and each car has 650 barrels. There is significant advantage to take it to different places, spreads are different. Mentally you think of oil gushing through pipelines, but the pipeline is twice as fast. We recently bought a company from Phillips 66 whose main product is a chemical additive that moves oil 10% faster than normal, take a day off the trip. I think the oil sands are an important asset for mankind over the centuries to come, but I don't think it will dramatically change anything at Berkshire.

CM: A lot of the oil sand production uses natural gas to produce the heavy oil. It is economic only if oil stays at a high price, but it needs natural gas prices to stay low too.

Matt Rose: Nothing to add.

WB: [*Puts up slide of performance from 2008-2013 of hedge fund performance (+12.5%) vs S&P Index (+43.8%)*] Six years ago I made a bet for charity. It was an S&P500 Index fund versus a group of hedge funds. With those numbers, the comparison is getting more fun every year. The people who selected these funds are smart people. They have every economic incentive to pick the best. They choose from at least 200 hedge funds whose managers are also incentivized to enhance their own income. The first year they did considerably better, but in five years subsequently the S&P has been running away. We put in $350k each into 10 year treasuries. The way interest rates changed we sold the bonds at 96 and put it all in Berkshire stock, and I guaranteed it for $1mil. It will be significantly more than $1mil when 10 years comes along. We'll come back at 1pm and move on from there.

AFTERNOON SESSION

WB: If you can find your seats, we'll get started. I'll give you another minute or two to settle down.

WB: We sent out about 11,000 more tickets this year, and clearly this year we have substantially more attendants than in years past and I hope spending patterns reflect that!

Q31: BQ: Michael Lacheq (sp?). Energy Future Holdings bankruptcy. What other businesses may be subject to technology change? IBM, Coke regulation, etc.

WB: I would be unwilling to share credit for my decision on Energy Future Holdings. That was my mistake, and it was a big one. The basic error was the assumption that gas prices would stay at that level or go higher. Instead it went way lower. All businesses should think about what can mess up their position. We look at all of our businesses as subject to change. GEICO set out in 1936 to operate with low costs and pass on those prices to the customer, on a necessity being auto insurance. They originally did it with mail offerings to government employees. They've adapted over the years, to widening classifications, to US mail, to telephone, to internet and social media. And in there they stumbled, when they left government employees and got too aggressive about expanding, and they really did go broke. We want managers who are thinking about change, and what is needed for the business model in the future. We know it won't look the same. BNSF is looking at LNG for locomotives. Our businesses are strong and are generally not subject to rapid change, but sometimes slow change can be harder to see and lull you to sleep easier versus rapid change which you can see. I will make mistakes in future, that is guaranteed. We never make bet-the-company decisions that cause real anguish. Occasionally they work out very well. In 1966, we bought a department store in Baltimore. There was nothing dumber. The $6mil in that store became $45bil over time in Berkshire. You have to be very alert, and Charlie and I and our directors think about it.

CM: I spoke earlier about the desirability of removing ignorance piece by piece. Another trick is scrambling out of your mistakes, it is enormously useful. We had a sure to fail department store, a trading stamp business sure to fold and a textile mill. Out of that comes Berkshire. Think about how we would have done if we had better start! [*laughter*]

WB: My uncle wrote a letter in 1942 that the day of the chain store was over. Our grocery store went out of business in 1969. The wish being father to the thought.

Q32: JG: Heinz – what will it earn this year after the cost savings?

WB: Heinz – you will get a 10q from Heinz. It was a reasonably run food company with 15% pretax margins for many years, not an unusual operating margin in food business. I think the margins will significantly improved from historical figures, have to watch quarter to quarter. What Bernardo has done is restructure the business model and the brands are as strong as ever, and they will have structurally lower costs. I don't want to name a number, you will find it out soon enough.

Q33: Station 11. Philadelphia. Fund manager. Can you expand on how you compare investment opportunity? When you can buy more of a favorite in 2008/2009, how did case of more of company like Coke or Moody's, compare with other things which you did. Could Berkshire have achieved more with more concentrated portfolio?

WB: Depends on which favorite name we had was hit harder in 2008/2009. I spent a considerable amount too early in 2008, and bottom was quite a bit lower than Sept and Oct of 2008 when we spent $16bil. We were also committed to $6bil of Mars funding, which we had committed earlier. We didn't do as remotely as well if we had kept powder dry and spent it all at once at bottom. Timing could have been improved dramatically, but we will never be able to figure out how to do it. But we bought BNSF in Oct 2009 which will be enormous part of our future. When we bought HD bonds at 15 we should have bought the stock, but that will always be the case. What we want to do at our present size and scope, we want to buy good businesses with great management at a reasonable price and try to build them over time. We want to be able to add them without issuing shares. Looking back we can do it better than we've done it. I feel the game is still a viable one, but it can't be forever. But still has juice left in it.

CM: Private businesses have gotten to be a bigger portion. We used to be worth more in stock, not privates, but now bigger in privates.

WB: When right on stocks, shows up in net worth, and when right on businesses it shows up in future earnings. It doesn't require us going from flower to flower. We've moved into phase 2.

CM: When we were just investing modest amount of capital we could get a little bit at the bottom, but there is no significant volume of shares at that price. When we buy businesses we get large positions. We are forced into this by past success. I love buying transmission lines in Alberta. Nothing horrible will happen.

WB: If it does we won't know it.

CM: We have adapted and the changes have been very much in our interest. There may be future changes just as desirable. Since change is inevitable, how you adapt to it is the key.

WB: We've bought a fair amount of Wells Fargo over last few years. But the most money was made by buying banks of lesser quality. They needed better economy to recover. But we felt 100% comfortable buying Wells Fargo, and 50% comfortable somewhere else, so we went where we were most comfortable.

Q34: ARS: Usage based pricing, auto insurance industry, tracking. Moat at GEICO? Google says 5 years away for self-driving cars. Would you sell GEICO?

WB: No. No question that knowing how customers drive is valuable input to assess proper premium. Progressive has done a lot of work on it, it's called Snapshot. Insurance is all about evaluating the propensity of loss to establish proper premium. If someone is 90, besides Charlie of course [*laughter*], they are more likely to die. There are variables in insurance, and a set price. If you live in state of 1 rather than 100mil, a lot less chance of accident, lack of density. Through studying usage by various methods, Progressive is trying to get better information about that particular driver to be in an accident. We think we have a pretty good system, and that has been proven correct but we'll continue to look at metrics. I feel very good about GEICO and their ability to evaluate risk. I don't think anyone is better than GEICO's people. We will keep asking. Self-driving car will be real threat to auto insurance although it would be great for society. I don't know how to evaluate it, or over what period. It certainly could happen. It would not cause us to think about selling GEICO.

CM: Some of these things happen much slower than you think. I went to a speech about 30 years ago, about color movies coming into a house on demand, that it was just around corner. I think self-driving cars having huge impact on market will take some time. That would be my guess, but could be wrong.

WB: But we'll be wrong together! [*laughter*]

WB: GEICO will be doing more business in 5 years and 10 years from now, in 30 years I'll go away peacefully and you'll know and I won't. [*laughter*]

Q35: GW: Berkshire has deployed very little capital outside US. Why?

WB: We've never turned down a chance to make a significant acquisition outside US because we preferred to be home. We have not had as much luck getting on radar screen of owners around world versus the United States. Our strong suit is buying from founders, and in US everyone with size thinks of us. A fair number would prefer us. That is not same outside USA. Wertheimer wrote us a letter, and said if they didn't sell to us they wouldn't sell. I have been a little disappointed we haven't had more luck. Jacob Harpaz runs Iscar, which set a new record in April. May have some slight meaning, they sell tiny little cutting tools that go into basic industry all over the world. They buy them because they are using them up. In March and April they are seeing strength in business, so it is hard to see that this means weakness in industrial world. Iscar has been wonderful , wish I could find a few more like it. This year we have not been contacted by any significant ones that made sense. We have heard from people but nothing that makes sense.

Q36: Station 1. San Francisco. Circle of competence - how do you figure it out?

WB: It is a question of being self-realistic, that applies outside of business as well. We have been reasonably good identifying perimeter of that circle. I've gone out in retail more than in any other arena, I think easy to think you understand retail. I bought Berkshire which was probably a dumb decision, but it worked out. Being realistic in appraising own talents and shortcomings, some are a whole lot better at it than others. There are a number of CEOs who have no idea where their circle of competence begins and ends. We have managers who really know it, and they don't go outside of that game. Mrs. B did not want stock for the deal. She knew what to do with real estate and cash, and it took her a long, long way in business. That ability to know when your odds are good vs. playing outside that game is a huge asset. Friends who know you well, may say, 'what the hell do you know about that'?

CM: I don't think it is a difficult to figure out competence. If you are 5'2" say no to professional basketball. 92 years old, you are not going to be the romantic lead in Hollywood. 350lbs so don't dance lead in Bolshoi ballet, if you can't count cards, don't compete in poker.

WB: You are ruling out everything I want to do!

CM: Competency is a relative concept. I realized that what I needed to do is compete against idiots, and luckily there is a large supply.

Q37: CL: Rational company, but don't see rationality comparing index to operating company book value. Why annually make this comparison?

CM: I'll answer this one. The answer is you are totally right, it is a ridiculous. It makes it hard for Warren to look good, but he likes to climb mountains that are difficult. It's insane. If you like to wear a hairshirt…

WB: Normally I like to clarify when he goes all wishy washy but I won't this time.

Q38:JB: Marmon and Iscar – why pay so much for later stakes?

WB: The multiple on Iscar was agreed as part of the original transaction – multiples of earnings and allowed for cash. Stuck formula in for put and call option, they had put and we had call, to govern between now and judgment day. There was no variation. Put and call at same price, following same formula. They put it to us at exactly on same basis. But Marmon was an installment sale. We intended 60% but did 64%. We looked at consequences of formula in future. They wouldn't have sold the 1st piece if they didn't have the second and third. We knew we would be paying more money later on, but it was all built into original deal.

CM: The price went up because the value went up. We agreed we'd pay value.

WB: Prtizker family and Wertheimer, they couldn't have behaved better. Feelings are good on both sides.

CM: We have enormous respect for intelligence in those families. Amazing what each family had done.

WB: Those were two important acquisitions, partly due to accounting peculiarities. Carry value is much lower than intrinsic.

CM: The tanker business in Marmon is John D Rockefellers' original business. Amazing how businesses can keep their value…

WB: Life circles back around, you may meet people you think are one stop shops but they aren't.

Q39: Station 2, New Jersey. Tech and entrepreneurship, if you were 23 year old, in what non-tech industry would you start a business and why?

WB: I'd probably do what I did when I was 23. I would look at lots of companies, and talk to lots of people, and learn about lots of industries. I would see CEOs of 8 or 10 coal companies. I often didn't make appointments, but they almost always would see me. I would ask them, if they had to put all of their money into any coal company except their own, and go away for 10 years, which one would it be? And which would they sell short over 10 years and why? If I did that, I would know more about the coal companies than any manager would. But you wouldn't learn about how to start Google or Facebook that way. You need real curiosity about it, it has to turn you on. Asking questions about coal companies? I mean really, you have to be a little odd too. I might find an industry that particularly interested you, and you might become very well equipped, and can start or go to work for someone good. If you are open to things and keep learning things you'll find something.

CM: There was a trick Larry Bird used, he asked every agent why he should be selected to represent him, and which to use if Larry didn't pick him as agent. Everyone listed same guy as #2, so he went with everyone's #2 and he negotiated best deal in history.

WB: I did the same thing at Salomon: on the weekend when Tokyo was opening Sunday at 6pm, I called in eight people, and I asked them who besides you would be best person to run this, and why? One guy said no one but him. But it is not a bad system to use. You really learn a lot by asking. I sound like a Yogi Berra quote perhaps. But if you talk to enough people about something they know a lot about, people like to talk. Here we are talking ourselves. You will find your spot. I was very lucky, I found what fascinated me when I was 7 or 8 years old. If you are lucky you will find it early.

CM: If it is a very competitive business, and requires competitive abilities you lack, you should look elsewhere. I immediately decided I wasn't going to be thermodynamics professor at Caltech. I did that over and over and soon there were only one or two choices left! [*laughter*]

WB: I had similar experience in athletics. [*laughter*]

Q40: BQ: Omaha hotel prices are up and you made negative comments Isn't this supply and demand and capitalism?

WB: Yes, that is why we encouraged Airbnb to come to Omaha. Industries size themselves with conferences. A big industry has to go to Las Vegas or a place with lots of rooms. If you have event which can't be sized by people scheduling it, you can outstrip the rational supply of rooms. The Masters Golf tournament in Augusta has this problem as the tournament won't move any place else. Omaha can't size to the Berkshire meeting, our attendance has grown above what we anticipated. The three day minimums were irritating to me. Prices were getting high. The Omaha Hilton has been magnificent for many years. A few however were really pushing things. We didn't want to cut back on demand. We didn't want to move to Dallas. Omaha people love this event, people get a good impression of Omaha, and so there are good things about meeting in Omaha. And we want hotels to be able to make money. Airbnb is a flexible supply arrangement, and seems to make a lot of sense. It will be more developed next year. But they can't push it to the extreme of scarcity product.

CM: I've nothing to add.

Q41: JG: GEICO. Largest advertising budget while maintain low cost. Will GEICO (now 10% share) overtake State Farm at 19% market share?

WB: No one knows answer. We passed Allstate this year. State Farm has one of great company histories in America. Farmer from Merna Illinois started it, started around 1920, there is a book about it. It was a better business model, GEICO though had an even better model. State Farm was huge, and now GEICO has taken us since 1926 to get to 10%. On current projections are that we will be #1 the same year I am 100. I tell GEICO that I will do my part. We will gain share as long as we take extremely good care of customer, and we can properly rate risk. Tony Nicely has done a job that belongs in the world hall of fame. 15 years prior to Tony taking over, market share had hovered at 2%. Since he took over in 1993, we have gained and now stand at +10%. It will keep going. State Farm has net worth of $60-70bil, and a strong homeowners business, strong agency force and a lot of satisfied customers. It won't come fast, but it will come.

CM: GEICO is like Costco. They feel a holy duty to have wonderful product and a wonderful price. Companies like that get ahead over time.

WB: What is true about Costco is also true about GEICO: our people don't come and go. People come to us and they don't leave us. We have very few managers from other insurance companies. They have their own idea about how to do it and do it right. It is reinforced by success too.

CM: Costco is unbelievable. It is against human nature of many entrepreneurial people to get price down and get service up, like wearing the ultimate hairshirt. But it works.

Q42: Station 3, Neal Patel, Chicago. Frugality?

WB: Who is more frugal?

CM: In personal consumption, Warren is more frugal.

WB: Would you care to give example? [*laughter*]

CM: Same house since 1950s.

WB: I moved in in 1958.

CM: I moved in a year later and paid architect $1900 dollars, 30% of the regular price.

WB: I have everything in life I wanted. Standard of living does not equate with cost of living. There is point where you get inverse correlation. My life would be worse if I had 6 or 8 houses. It doesn't correlate. You can't have more than that. It makes a difference up to a point. You can start thinking differently at x dollars. But it doesn't make a difference at 10x or 1000x.

CM: Frugality has helped Berkshire. I look out at audience, and I see frugal understated people. We collect these people…

WB: But forget that this weekend - the more you buy the more you save this weekend people! [*laughter*]

Q43: ARS: NYC. Pfizer tax efficiency?

WB: No. Charlie?

CM: It would be crazy to be this prosperous and try to take our taxes to zero.

WB: We could not have done Berkshire in any other country. America has really helped us become very very rich.

CM: I've got no complaints. I see others at breakfast, and I don't think people are gnashing their teeth.

WB: We don't add a tip of 15% on our tax return. But we are not holier than thou: we do take tax credits, wind energy and solar deals, they won't make economic sense otherwise. We follow the rules. But we don't begrudge the taxes we pay. We've earned a lot of money.

Q44: GW: Union Pacific generates 10% of revenue from freight to Mexico. How attractive is Mexican freight market? Kansas City Southern – half of their revenue is from Mexican freight?

WB: Union Pacific has a big edge because its route structure is much better than ours, it crosses border in six places. Kansas Southern has very significant presence in Mexico. In terms of what we can do with our money there are good prospects there. Math does not work for Mexico. We'll continue to think about Mexico, but we are thinking about other markets too. There are lots of ways to move more freight at BNSF.

CM: It is awfully easy to imagine combinations with a slight of hand, easy to make money by buying competitors. But at our size, we wouldn't get [government] approval. I'm afraid BNSF will have to get ahead on its own.

WB: And it will!

Q45: Station 4, Los Angeles. How does management factor into valuing instrinsic value. Which company do you fear the most, as even Coca-Cola has their Pepsi?

WB: Actually Ben Graham didn't get too specific about intrinsic value in terms of calculations. Now it is equated rightly with private business value. Aesop was the first who came up with it. It is intrinsic value if you can foresee the future, the present value of all cash that will be distributed between now and Judgment Day. You put money in and you take money out. One in hand is worth two in bush. The question is how sure are you that two are in the bush, how far away is bush, what are the interest rates -- Aesop wanted to leave us something to play with over next two thousand years so he didn't spell it all out. In calculating it, Ben would say he wanted two dollars of cash in the bush and pay a dollar. Fischer would use qualitative factors to estimate the number of birds in the bush. I started out very influenced by Graham, so more quantitative, but Charlie came along and said look more at qualitative. If you buy McDonalds franchise, you think about the cash in, the cash out, when, and at what discount. Silver bullet question – are there any threats? I don't see big competitor to Berkshire. Private equity is buying businesses and leverage is cheap – so they are competing with us. That is main occupation for me and Charlie. I don't see anyone who has a model or is trying to build model which is going after what we are trying to achieve.

CM: As I said earlier, the Berkshire model as it is now constructed, as they say in show business, has legs and will go a long time. It is credible. It has enough advantage it will go a long time, and most big businesses don't have it. Of those who have gotten big, few have stayed big. We are in territory where many stop going well, but I think we'll be like Standard Oil. The people up here are no longer that important. You young people in the audience - don't be too quick to sell the stock.

WB: Why not more copycats?

CM: It's like our friend Ed Davis, the surgeon, he figured out how to do an operation with instruments of his own creation, and death rate was 2% versus others who were 20%. Surgeons came to watch and they said well that looks too hard to do and it was slow. There is nothing in business school that teaches people to do what we do at Berkshire.

WB: Slowness deters more people.

CM: The difficulty with being slow is you're dead before it's finished. [*laughter*]

WB: Why so cheerful? [*laughter*]

Q46: CL: I have more on the cheerful side, this question is about inflation. Returns on equity and inflation – it is hard to function under inflationary condition. Now everyone wants inflation. Good for debtors not creditors. Should we think about higher inflation? How would you behave differently?

WB: Inflation would hurt us, but other businesses more. Some assets would do better under inflation. If drones set off and drop $1mil in every household, would everyone be better off? Berkshire would be worse off. Trick is to find out you have $1m before anyone else does. You don't create wealth with inflation, but you can move it around. You don't with a firm like Berkshire, our earnings per share up, intrinsic value per share would be up but, unless we leveraged the businesses, the value per share in real terms would go down.

CM: In Weimar Germany people who owned companies like Berkshire survived though. . Banks and life insurance were all wiped out. But it is not a good thing to let things go that far. I don't like the huge confidence that it will all keep working. We can handle sub-par growth, but it would be crazy to let politicians print too much money.

WB: But if you have a home, mortgage goes down in value and you still have the home.

CM: In Weimar, they gave you the mortgage back. They got that right.

Q47: JB: Leverage and acquisitions?

CM: Sum total of all acquisitions in America has been lousy. It is the nature of successful companies that they will be talked into dumb deals. It has been path to wealth for us, but luckily many don't want to be peculiar in our way.

WB: When we read that a company we own but don't control is going to make an acquisition, I'm more likely to cry than smile. But we love them ourselves. I have sat in on hundreds of acquisition discussions conducted by people I didn't control. Most have been disasters…

CM: Some are mediocre.

WB: Look at GEICO - it had been an incredible business until the 1970s. They made acquisitions after getting back on track and then took their eyes off the ball. Accounting cost of those two acquisitions was poor but not disastrous. But secondary effects were huge. It was a dozen years there that they couldn't get back. We bought half the company, so it was wonderful for Berkshire. It is human nature, CEOs have animal spirits and supporting staff senses that they like to do things. They keep coming in with deals. Investment bankers are calling them daily. All these forces push towards deals. We've tried very hard to not be eager to do deals, just to be eager to do deals that make sense. That would be harder if we had strategy departments pushing us. The setting in which you operate can be very important.

CM: Note how he is much more tactful than me.

WB: The comparison is not difficult. [*laughter*]

Q48: Station 5, Wisconsin. I am hoping that you will make us money. Never would you cheat us out of our money. In investment banking business confidence has fallen. Distressing reports in NYT about private meetings in the Justice Department and Fed about need or desire to bring criminal charges against largest banks, laundering billions of Iranian dollars. Do you believe a financial crisis will occur as a result of criminal activity or is it being institutionalized?

CM: I think behavior on Wall Street is enormously improved due to trauma. You will never have perfect behavior when humans live in miasma of easy money.

WB: What about prosecuting individuals versus corporations?

CM: Hardly anything changes people faster than prosecuting individuals. I think a few criminal prosecutions changes behavior a lot, and we'll get a few. If you put eagle scouts in jail after fixing steel prices you really get behavior change.

WB: I lean towards prosecution of individuals. At Salomon, I saw bad acts by only a few people, and negligence by a couple more, come close to destroying 1000s of other lives. It is way easier to prosecute a corporation, a prosecutor will get a win against a company. They will cave and write a check. It is a tougher job against individuals: they are trying to stay out of jail. Can get headline grabbers when going against corporation. I lean towards going against individuals.

CM: That is what I meant. When antitrust is considered venal sin, it changed behavior. We changed individual behavior in price fixing. We probably need some more in finance to change behavior.

WB: We have three hundred thousand employees, so someone is doing something wrong. Too a degree it is out of our hands. I can tell managers that reputation means more than anything else. But it doesn't cure everything. We want to find it out early and it is up to us to do something about it. We will have a problem. Three hundred thousand people will not behave properly every day. Individual prosecution helps. The way to change behavior is to have the fear that it will come home to them and hit them hard. If only fear is company will write big check, there will be much less change than if you target individual.

Q49: BQ: Insurance fund to protect railroad industry in case of worst case accident scenario? Is industry lacking insurance?

WB: We are on both sides of that since Ajit has offered the rail industry some very high limits, to all the major railroads, but they don't like his price. The four major railroads have financial capacity to pay huge award if there is damage, and as common carrier, we all have to carry hazmat material, but they would rather not carry it. Probably can't get paid enough per carload to get paid for risk. But I think big four have financial capability to handle that type of award. They can buy insurance from Ajit, but no one has yet. Not advisable to discuss insurance limits publicly. Nuclear risk government decided was too big to be borne by private industry. I don't think any major accident by private industry could be larger than they could pay, but could be very, very large.

CM: Big surprise was British Petroleum. No one thought loss from one well would be many billions of dollars. After that I would have less enthusiasm for drilling in Gulf. Such a big loss can offset any possible gain. The biggest rail accident cost $200m.

WB: Norfolk Southern never announced what it cost. We do not get paid enough to carry chlorine and they will move somehow. But that does not keep me awake at nights.

WB: Biggest risk is rogue state or terrorist act. But war acts are excluded from insurance. But you could have some kind of terrorist act that would create damages like we have never seen. There is a reasonable probability of this happening in the next 50 years. What it is I don't know, but it is not insignificant.

CM: We saw what one pilot can do in this airline [Malaysia]. We are lucky to have big corporations that can handle the loss when it occurs. Better than a bunch of flippers.

Q50: JG: Why is Berkshire expanding into commercial casualty insurance, and in Lloyds, when pricing is peaking?

WB: We entered commercial insurance field middle of last year. We had some wonderful talent that wanted to join us. We have great amount of capital, and good reputation. We think we have ability to underwrite more intelligently than most, with bigger risks, and costs below average, and then throw in Ajit Jain overseeing the operation. We entered it because we had terrific people. We weren't looking at the timing. We've added to group - Peter Eastwood runs it. We will build a significant commercial insurance business over time and are likely to operate with better results than the competitors.

CM: It is logical thing for us to do. When logical we don't hold back because of the place in the cycle. It is long term play, we aren't going away based on short term troubles.

WB: When we see chance to enter a business with strong people and competitive position, we'll play game and play it hard.

Q51*: Station 6, Ed Boyle, Chicago. Buying sports team, or sports manufacturing company?*

CM: Warren has already done it.

WB: I own 25% of the local minor league team but it is not responsible for my position on the Forbes 400. If you read that we are talking about buying a sports team, it is time to talk about successors. Sports equipment is not a great business. We own Spalding and Russell. Generally speaking, if you look at people who have made golf equipment, baseball gloves, etc. – it is not a particularly profitable business, and certain aspects of it, like a helmet company, should be owned by someone with a net worth of negative 1mil and not a dollar to his name. We got an offer to buy Pinkerton, which mainly manages guards at airports, which is a super-rich target. You won't see much of us in sports arena. Charlie are you looking at the Clippers?

CM: Shaking his head.

WB: Now I'm thinking he is. [*laughter*]

CM: Whatever Warren likes about sports teams, I like it less.

Q52: ARS. Ackman buying Allergan in open market got permission to delay reporting. Just like Berkshire with Coke?

WB: I don't see the comparison to Coke. We have never used derivatives to get around rules of reporting. Activism? It won't go away and scares the hell out of a lot of managers. There are cases where corporate managers should be changed. Generally speaking the activist if they get price of stock up that will end their interest in business – they not looking for permanent changes in the business. It is attracting more and more money. Funds are flowing to these activists, so they can play on bigger scale. If successful will create fund flow until no longer successful.

CM: Creating more of stir in managements, and 20-30% of stock can change hands quickly. Entrenched management is suddenly threatened. By and large they are making money and most people don't care how that money is earned. So that makes it grow, like Jack's bean stalk. You'll find an activist who you don't want to marry into your family; it is like fox hunting - the pursuit of the uneatable by the unspeakable (Oscar Wilde). I don't think good for America when averaged out.

WB: Bigger in three years?

CM: Bigger.

WB: Wow than it will be really serious, esp. if you think about the compounding.

Q53. GW: Which is better, larger collection of smaller companies that are growing or big elephants nearing maturity? Pay higher price for growth. Opportunity cost to keep cash on hand.

WB: We'd be delighted to buy something for $2-3bil that will grow over time. A subsidiary could buy something for a couple hundred million. We are not passing anything of any real size that will have impact. We had twenty five tuck-in acquisitions last year. One $30bil is 10 $3bil deals. Reality is that we are working to build earning power into Berkshire, and so our main emphasis on bigger deals.

CM: I agree with that - hundreds of small businesses? It would be anathema.

WB: There is lots of competition for the small deals from private equity. Some are even selling to each other. We are not envious. But we will find some small deals. But one does not preclude the other.

Q54: Station 7, San Francisco. What is most intelligent question on investing and what is answer?

CM: I already did that when I spoke about Berkshire's comparison to index performance. There are a lot of interesting questions that don't get much attention and there is a lot of irrationality.

WB: Best question in past?

CM: I don't like question, do you? I don't think it is fair.

WB: That is why I let you go first. [*laughter*]

WB: We are at 54 questions, so I'll move to Station 8?

Q55: Station 8, New Hampshire. Looking at page 64 segment data for the energy business, when I take ebitda less capex, the result is negative operating cashflow. When I repeat exercise in each of last five years, in best years, $300m of operating cash flow. Divide by tangible assets, 0.8% return, why allocating capital to a business with such low returns?

WB: You were doing great until return on tangible assets. We love the math you describe, as long as we get return on capital investment. We are looking forward to putting more capital in, as long it is treated fairly, and we will get appropriate returns on that. It is not cash minus increased capex, it is operating earnings less depreciation. There are times when no net investment is required, but we prefer where net investment must be higher because we get more capital in and our bet is that regulators will treat us fairly in future. One reason we believe this is true is that we have done so much better than many at delivering electricity at lower rates than charged by most. In Iowa there is a public utility, and our rates are significantly below competitors. A friend with a farm who is served by two utilities tells me that rate from us is dramatically lower than the competitors. We have a deserved good reputation with regulators, including safety. They welcome us when we come to new states. If we can put new money into those projects, we will get good return. But you will get negative returns if you include adding to capital spending. This is somewhat similar at the railroad.

CM: if numbers you recited come from a declining department store, we would hate it. But we have confidence that the reinvested capital will give us a good return from a growing energy business. It is that simple.

WB: Greg, can you quote some rates?

Greg Abel: We are generally lowest quartile, if not cheapest. We recently took the first rate increase in Iowa in 16 years, and we don't see one in near future. There is a 1000 megawatt project adding up to $1.9billion, and deploying over 2 years and we are earning an 11.6% return on it. We try to keep our capital close to depreciation. But the lion share of our capex is growth capital.

WB: Tech companies?

Greg Abel: We service Google in Council Bluffs with a relatively small data center. They are taking it to 40-50 MW, but are looking to build it to 1000 MW. We give them exceptionally low rates, and a significant portion comes from renewable energy, and they want to be associated with a utility producing green power.

Q56: Station 9, Shanghai. Education investment – what is different now and in the future in US and China?

CM: We certainly are getting the easy questions! [*laughter*]

WB: Whatever he says I agree with. [*laughter*]

CM: I think America made huge mistake when they let public schools go to hell. I think Asian cultures are less likely to do that. I wish we were more like them.

WB: It reminds me, that whenever I get a little worried about Charlie, maybe I shouldn't talk about it. There is a joke about not hearing well that goes like this: I have this wonderful partner, but I think his hearing is going. What should I do? Doctor told me to stand across room. So I stood across room and said, 'I think we ought to buy GM at 35'. No response. I go halfway across room, say it again, and no response. So I walk right over to him and say, "Charlie I think we ought to buy GM at 35." And he says, for the third time, YES! So speak up...

Q57: Station 10, Chicago. Should the US change the way it finances home purchases and is their a role for Berkshire?

WB: The 30 year fixed loan is terrific boon to home owners. Not great to own as investment however. But it lets people get into homes earlier. It kept costs down to quite a degree. Government guaranteed part to keep cost down. No private organization can do it. It is an $11 trillion market. Private industry can't do it, rates would be higher. The problem is how do you keep government in picture but do it without keeping politics in it? Fannie and Freddie did some dumb thing on their own, but also prodded into dumb things by politicians. I wrote an article when savings and loan were falling apart, and suggested FDIC to get private sector into pricing and evaluating with gov't as main insurer. There might be a way that model works in terms of home mortgage insurance. We likely wouldn't be a player, others would be more optimistic in setting rates. Private industry might price 5%, and gov't took 95%, and maybe guaranteed the privates if they went broke. Important to get the correct national policy, I know it is being worked on, and it is very unlikely that Berkshire would play any part.

CM: When private industry was allowed to take over the system, we got biggest thieves screwing it up. As much as I hate government, I'm not trustful of private industry in this field. Existing system is probably pretty sound. At moment Fannie and Freddie are being pretty conservative, and I think that is ok. I'm not anxious to go back to the race to the bottom with investment banks creating phony securities. Let them keep doing what they are doing.

WB: The one thing that led Fannie and Freddie astray was serving two masters: trying to deliver double digit earnings increases. Like if they just insured, rather than buying portfolios and turning themselves into big hedge funds, and just borrowed cheap and lent long it would have been ok.

CM: I think they are being conservative now.

WB: And portfolio activity?

CM: I think it is a mistake to have private companies taking over the whole mortgage market. There is no need to have private portfolios. I think that particular experiment in privatization was a total failure. And we made a billion dollars out of it.

WB: I wasn't going to mention it.

Q57: Station 10, Whitney Tilson – there is a new book available, was in Portuguese, on 3G.

CM: Why would you assume shareholders don't read Portuguese?

Whitney: The only English print copies in the world are here – on Amazon it is a Kindle book.

WB: We will raise the price.

Whitney: Is there a Berkshire stamp of approval on their deals? What will happen to the value of the Buffett brand to buy companies?

WB: It will become the Berkshire brand that continues without me. The person that follows me will bring same qualities, including ability to write very large check. Brazilian friends – they are very smart, very focused, hard-working, determined, never satisfied. As I said earlier, when you make a deal, they don't overreach, they don't overpromise. If you read the book, you'll learn a lot more. We want to be a good partner as it attracts good partners.   Takes a lot of other people behaving in way to make people want to join and trust us.

CM: The way to get a good spouse is to deserve one. It is same on partners. Still works in modern times. Behave correctly, amazing how well it works.

WB: What can we learn from 3G? CM: Can't skirt the fact that they are very good at removing unnecessary costs. I don't consider that immoral, it is a service to civilization. It should be done with some mercy…

WB: and sensitivity.

CM: But our system should not have make work.

WB: We are learning from them…

CM: Some reluctantly.

Q58: Station 11, Taiwan. I named my son Warren after you.

WB: How is he doing?

Q58: He's only 4. He calls you Warren Buffaloes.

WB: I've been called worse.

Q59: Station 1. Market cap $1.2tril if doubles then doubles again. What will Berkshire be in 20 years?

WB: I do plan on writing about that next year – no question we will have more cash than we can intelligently deploy in business. That will depend on circumstances at time. If stock can be bought in that makes sense for continuing shareholders, that value better for them, I would be aggressive. We will have more cash than we can intelligently invest in the future. I hope it isn't real soon but don't think it is on the distant horizon. The numbers are getting to that point but maybe can repurchase shares. But what is done will be done in interest of shareholders. We don't know what taxes will be, but every decision will be done in principal of the shareholder.

CM: It is not a tragedy to succeed so much that future returns go down.

Q60: Station 2, Washington DC. Sharing economy?

WB: Whenever an existing business is threatened, that businesses will fight back. When State Farm started in the 1920s, the agency system was sacrosanct: all agencies worked that way. They fought over having #1 agency in town. Your objective was to get the agent. Policyholder wasn't being thought about. Then State Farm came with better mousetrap, then GEICO. Insurance agencies started to insist on state laws about what can be done with agents and without. 2nd and 3rd best mousetraps will fight back. But in the end the better mousetrap will usually win. We stay away from that sort of thing we know will change and we don't know who the winners will be. Energy company and the railroad – both very likely to be winners over time. Where change is involved in other fields, we sit and watch but don't get tempted.

CM: New technology will be quite disruptive to a lot of people. Retailing in particularly is facing particular threats. We have a power plant serving one Google server farm. It is changing the world. It will hurt a lot of people. Berkshire is by and large in pretty good shape.

WB: Where are we most vulnerable?

CM: I don't want to name them.

WB: Now you have them wondering. [*laughter*]

Q61: Station 3, Florida. Public education: can we do more to prepare our children to be financially literate?

WB: Certainly the earlier the better. Habits are such a powerful force in everyone's life. I get letters from people who made terrible mistakes - financial lunacy – but they didn't know it. Very hard digging yourself out of holes that illiteracy can cause. For children, we have the Secret Millionaire's Club – there is an exhibit in the hall. We want to talk to people at very young age. Happens in a lot of families, where there is a big problem with adult financial literacy. A lot can be done on TV or the internet, but it is important to have good financial habits. Anything you can do very early through school system will have my vote.

CM: Not sure schools at fault. The behavior of parents is the most powerful example.

WB: Not everyone gets right parents. How would you fix them?

CM: It is very hard to fix people who had wrong parents. It gets so impractical. I don't think I'm good at that. Only thing I'm good at is raising the top higher. I don't think I am any good at it. I don't think you are so hot either. Main troubles in education are probably not in the grade schools. There is a lot of asininity at universities, even in the economics departments. When it gets high falutin' doesn't mean it gets a lot better.

WB: Period for 20 years when the net utility of finance majors' knowledge was net negative.

CM: It was asinine. We should use normal English. [*laughter*]

WB: To watch extraordinary universities teach people very dumb things -- and even to obtain positions in departments in those schools you had to subscribe to the orthodoxy. But that may have soured my feelings on higher education, and it was bad. Was my language ok?

CM: You would have liked academics better if you had taken physics rather than finance.

Q62: Station 4, Ontario. Dividends – no one knows how to evaluate it.   Break up company into 4 groups and unlock value. Allocate capital?

WB: We would lose significant value if we broke Berkshire into four companies, due to the tax situation and capital allocation. Berkshire as currently conceived has greatest value. We did have vote and there is not a way to deliver a dividend to only a few shareholders. There is a way for investors to maintain their investment and still cash out annually just like a partnership and incur fairly little tax. But there is no advantage to break Berkshire into pieces. It would be terrible mistake.

CM: You are not being deprived when stock goes from 100 to 200 and you didn't get a dividend.

WB: In 45:1 vote people preferred present policy. It surprised me. It would be big mistake to change.