

Annual General Meeting

Company Participants

- Ajit Jain, Vice Chairman, Insurance Operations, Director
- Becki Amick, Director, Internal Audit
- Charles Munger, Vice Chairman of the Board
- Gregory Abel, Vice Chairman Non Insurance Operations, Director
- Ronald Olson, Director
- Unidentified Speaker
- Walter Scott, Board Member
- Warren Buffett, Chairman of the Board, Chief Executive Officer

Other Participants

- Aaron Lanni, Portfolio Manager
- Andrew Ross Sorkin, Analyst
- Becky Quick, Squawk Box co-anchor
- Bill Moyer, Co-author
- Carol Loomis, Retired Senior Editor-at-Large
- Daphne, Analyst
- Gregg Warren, Analyst
- Jay Gelb, Analyst
- Jonathan Brandt, Analyst
- Rob Lee, Analyst
- Unidentified Participant

Presentation

Warren Buffett {BIO 1387055 <GO>}

Those of you who have come from out of state, welcome to Omaha. The city is delighted to have you here for this event. And for those of you who came from outside of the country, welcome to the United States. So we've got people here from all over the world. We've got some overflow rooms that are taking care of people. And we will just have a few preliminaries and then we will move right into the Q&A period.

We'll break about noon for about an hour. We'll come back and do more Q&A until about 3:30, then we'll adjourn for a few minutes, and then we'll conduct the meeting.

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I understand that in the room adjacent, that Charlie has been conducting a little insurgency campaign. I don't know whether you've seen these, but these are the buttons that are available for those of you who keep asking questions about succession. And Charlie wants to answer that question by getting your vote today. So, it says -- this one says, maturity, experience, why except second best? Vote for Charlie. I, however, have appointed I, however, have appointed the monitors who have collect the votes. So I feel very secure. The first thing I'd like to do -- Charlie is my partner of 60 years, a Director and Vice Chairman, and we make the big decisions jointly. It's just that we haven't had any big decisions. So, we haven't -- we're keeping him available for the next big one. But now at the formal meeting today, we'll elect 14 Directors and you're looking at two of them. And I'd like to introduce the 12 that will be on the ballot at 3:45.

And I'm going to proceed alphabetically. And if they'll stand, if you will withhold your applause because some of them get sensitive if certain people get more applause than others and they'll -- and if you'll withhold it I'm finished, then you can applaud or not, as you see fit, having looked at these directors. So, we'll start on my left. Greg Abel, who's both a Vice Chairman and a Director. Greg?

Yeah, oh, there we are. Right, okay. And going along alphabetically, Howard Buffet, Steve Burke, Sue Decker, Bill Gates, Sandy Gottesman, Charlotte Guyman, Ajit Jain, who is also a Vice Chairman, Tom Murphy, Ron Olson, Walter Scott and Meryl Witmer. Now you can applaud.

Now, this morning we posted on our website the quarterly, the 10-Q that's required to be filed with the SEC. We published it at 7 o'clock Central Time. And we also published an accompanying press release and if we'll put slide one up -- these figures as usual require some explanation. As we've mentioned in the annual report, the new GAAP rule of Generally Accepted Accounting Principles accounting principles require that we mark our securities to market and then report any unrealized gains in our earnings. And you can see, I've warned you about the distortions from this sort of thing. And the first quarter of 2019 actually was much like the first quarter of 2018, and I hope very much that newspapers do not read headlines saying that we made \$21.6 billion in the first quarter of this year against a loss of last year. These -- the bottom line figures are going to be totally capricious, and what I worry about is that not everybody studied accounting in school, or they can be very smart people but that doesn't mean that they've spent any real time on accounting. And I really regard these bottom line figures, particularly if they're emphasized in the press, as doing -- as potentially being harmful to our shareholders and really not being helpful. So, I encourage you now and I encourage all the press that's here, focus on what we call our operating earnings, which were up a bit, and forget about the capital gains or losses in any given period. Now, they're enormously important over time. We've had substantial capital gains in the future; we have substantial unrealized capital gains at the present time; we expect to have more capital gains in the future. They are an important part of Berkshire, but they have absolutely no predictive value or analytical value in the -- on a quarterly basis or an annual basis.

And I just hope that nobody gets misled in some quarter when stocks are down and people say, Berkshire loses money or something of the sorts. It's really a shame that the rules got changed in that way, but we will report. But we will also explain and we will do

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our best to have the press understand the importance of focusing on operating earnings, and that we do not attract shareholders who think that there's some enormous gain because in the first quarter the stock market was up.

There's one other footnote to these report -- to these figures that I should point out. It's already been picked up by the wires from our 7 o'clock filing. We report on Kraft Heinz, of which we own about 27% or so. We report on what they call the equity method. Now, most stocks, when you get dividends, that goes into our earnings that goes into our earnings account, and their undistributed earnings don't affect us. They affect us in a real way, but they don't affect us in accounting way. We are part of a control group at Kraft Heinz, so instead of reporting dividends, we report what they call equity earnings. Kraft Heinz has not filed their 10-K for the 2018 year with the SEC. And therefore, they have not released the first quarter of 2019 earnings. Now, normally, we would include our percentage share of those earnings and we've done that every quarter up till this quarter.

But because we do not have those figures, we've just -- we've not included anything. We received 40 cents times, \$130 million of dividends in the first quarter from our shares, but that reduces our carrying basis and it is not reflected in the earnings. So, that's an unusual item which we have mentioned, specifically pointed out in our press release, as well as included in our own. But there is nothing in here, plus or minus, for Kraft earnings -- Kraft Heinz earnings this year, whereas there was last year. And when we have the figures, obviously we will report them.

Let's see what beyond that I want to tell you. I think, oh yes, I'd wanted to mention to you, the Kiewit Company, which has been our landlord since 1962 57 years has owned the building in which Berkshire is headquartered. Kiewit Company is moving their headquarters and in the process will be doing something with the building. And they very generously, as they always have been. They came and said, what kind of a lease would you like, since we're leaving, and we'd always sort of work these things out as we've gone along. And so Bruce Grawcock, who runs Kiewit, said, you just sort of you name your terms and what you'd like. So, you no matter what happens with the building, you're all set.

So, I was about to sign a ten-year lease for the present space the present space, but Charlie said, 10 years might be long enough for me but he said, he would like me to sign one for 20 years, considering it. And so, we are entering a 20-year lease, and I confess to you that we now occupy one full floor, as we have for decades. And the new lease provides for two floors. So I just want you to know that your management is loosening up just a little bit.

And whether or not we fill them is another question, but we will have that and I would like to say to Omaha that I think the fact that Berkshire has signed up for 20 years is very good news for the city over time. It...

Okay. And now I would like to tell you something about the people that make all of this possible. This is totally a -- this is a homegrown operation. We started with a few people, meeting in the lunch room at National Indemnity many years ago. And I think we will probably set another record for attendance today. Yesterday afternoon, 16,200 people

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came in five hours, and that broke the previous record by a couple thousand. On Tuesday, the Nebraska Furniture Mart did \$9.3 million worth of business. And if any of you are in the retail business, you'll know that that's the yearly volume for some furniture stores, and here in Omaha, the 50th or so largest market in the country, maybe even a little less, \$9.3 billion (sic - \$9.3 million) I think probably exceeds anything any home furnishings store's ever done in one day.

And we have people pitching, and we have all of the people, virtually all of the people from the home office, some of them, are -- they'll take on any task. We have a bunch of people from National Indemnity, for example, that come over and they've been some of the monitors around. But -- and in terms of the exhibit hall, more than 600 people from our various subsidiaries give up a weekend to come to Omaha, work very hard, and tomorrow 04:00 or 04:30 they -- I should say today at 04:00 or 04:30, they will start packing up things and heading back home. And they come in, and I saw them all yesterday, and they were a bunch of very, and they were a bunch of very, very happy, smiling faces. And, they work hard all year and then they come in and help us out on this meeting. And then, finally, if we could get a spotlight, I think Melissa Shapiro is someplace here she runs the whole show. I mean, we -- Melissa, where are you? Melissa's name was Melissa Shapiro before she got married, then she married a guy named Shapiro, so now she's Melissa Shapiro -- Shapiro. So -- but she can handle that sort of thing. She handles everything and never totally unflappable, totally organized, everything gets done, everybody likes her when they get through.

So, it's marvelous to get a chance to work with people like this. I think it's a special quality that at Berkshire. I think other people would hire some group to put on the meeting and all be very professional and all of that. But I don't think you can get -- I don't think you can buy the enthusiasm and energy and help the next guy feeling that you've seen out on that exhibition floor and you'll see as you meet people here at the hall. And as you meet the people around Omaha, they're very, very happy that you're here.

And with that, I would like to start on the questions. We'll do it just as we've done it in recent years. We'll start with the press group. They've received e-mails from a great many people perhaps they can tell you how many and selected the questions they think would be most useful to the Berkshire shareholders. Yahoo is webcasting this as they've done for several years now, they've done a terrific job for us. So, this meeting is going out, both in English and in Mandarin. And I hope our results translate well, or our comments translate well. Sometimes we have trouble with English, but we're going to -- we'll start in with Carol Loomis, my friend of 50 years, but you'll never know it by the questions she's going to ask me.

Questions And Answers

Q - Carol Loomis {BIO 7137249 <GO>}

I'm going to start, very briefly and this is for the benefit of people who send us questions next year. There are kind of two things that you get wrong a lot of the time

A - Warren Buffett {BIO 1387055 <GO>}

You can't send two-part questions or three-part, et cetera. We can't -- we need a one-part question.

And the other thing is that, the questions all need to have some relevance to Berkshire, because Warren said when he started it that his hope was that shareholders would come out of the questions with a further education about the Company. So, keep those in mind for next year.

Many people -- a number of people wrote me about repurchases of stock. And, hence, the question I picked for my first one. The question, this particular question comes from Ward Cookie [ph], who lives in Belgium and who was still emailing me this morning in reference to the first quarter report. And he asked, my question concerns your repurchase of Berkshire shares. In the third quarter of last year you spent almost \$1 billion buying Berkshire B stock at an average price of \$207. But then you got to a period between December 26 and April 11 when the stock languished for almost four months under \$207. And yet, you purchased, what I think of, as a very limited amount of stock, even as you were sitting on an enormous pile of \$112 billion. My question is, why you did not repurchase a lot more stock? Unless, of course, there was for a time an acquisition of, say, \$80 billion to \$90 billion on your radar. Yeah. The question -- whether we had \$100 billion or \$200 billion would not make a difference -- or \$50 billion, would not make a difference in our approach to repurchase of shares. We repurchase shares. We used to have a policy of tying it to book value. But that became -- really became obsolete. It did not -- the real thing is to buy stock -- repurchase shares, only when you think you're doing it at a price where the remaining shareholders have had -- are worth more the moment after you repurchased it than they were the moment before. It's very much like if you are running a partnership and you had three partners in it and the business was worth \$3 million, and one of the partners came and said, I'd like you to buy back my share of the partnership for \$1 billion -- I started out with million, so I'll stay with million -- for \$1.1 million? And we said, forget it. And if he said, 1 million? We'd probably say, forget it, unless and if he said 900,000 we'd take it because at that point the remaining business would be worth 2 million 1 and we'd have two owners and our interest in value would have gone from 1 million to 1.50,000 million. So, it's very simple arithmetic. Most companies adopt repurchase programs and they just say, we're going to spend so much. That's like saying, that we're going to buy XYZ stock and we're going to spend so much here.

We're going to buy a company, we're going to spend whatever it takes. We will buy stock when we think it is selling below a conservative estimate of its intrinsic value. Now, the intrinsic value is not a specific point, it's probably a range in my mind that might have a band maybe of 10%. Charlie would have a band in his mind, and it would probably be 10% and ours would not be identical, but they'd be very close. And sometimes he might figure a bit higher than I do, a bit lower. But we want to be sure, when we repurchase shares, that those people who have not sold shares are better off than they were before we repurchased them.

And it's very simple and in the first quarter of the year, they'll find we bought something over a billion worth of stock and that's nothing like my ambitions. But it -- what that means is that we feel that we're okay buying it, but we don't salivate over buying it. We think that the shares we repurchased in the first quarter leave the shareholders better off than if we

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hadn't the remaining shareholders better off than if we hadn't bought it. But we don't think the difference is dramatic. And you will you could easily see periods where we would spend very substantial sums if we thought the stock was selling at, say, 25 or 30 percent less than it was worth and we didn't have something else that was even better.

But we have no ambition in any given quarter to spend a dime unless we think you're going to be better off for us having done so. Charlie?

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A - Charles Munger {BIO 1406508 <GO>}

Well, I predict that we'll get a little more liberal in repurchasing shares.

A - Warren Buffett {BIO 1387055 <GO>}

I was going to give you equal time, but then. Okay. Jon Brandt.

Q - Jonathan Brandt {BIO 17988091 <GO>}

Hi, Warren and Charlie. Thanks for having me as always. Every major North American railroad other than Burlington Northern has adopted at least some aspects of precision-scheduled railroading, generally to good effect to their bottom line. Some believe that point-to-point schedule service and minimal in-transit switching is good for both returns on capital and customer service. Others believe precision railroading has done little for on-time performance and its rigidity has jeopardized the compact that railroads have had with both regulators and customers. Do you and current BNSF management believe that its now a good idea for BNSF to adopt precision railroading playbook? Or do you agree with its critics?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, precision railroading, as its labeled was probably invented by a fellow named Hunter Harrison. I think maybe he was at the Illinois Central Railroad at the time, there's a book that came out about Hunter, who died maybe a year ago or thereabouts. And it describes the his procedure toward railroading. Its an interesting read if you're interested in railroading.

And he took that to Canadian National, CN. There are six big railroads in North America, and he took that to CN and he was very successful. And actually, Bill Gates is probably the largest holder of CN. So -- and I think he's done very well with that stock. And then later, Canadian Pacific was the subject of the activist, and when they -- as they proceeded, they got Hunter to join them and brought in an associate, Keith Creel, who and they instituted a somewhat similar program. Now the same thing has happened at CSX.

And all of those companies dramatically improved their profit margins, and they had varying degrees of difficulty with customer service in the implementing of it. But I would say that we watch very carefully Union Pacific is doing a somewhat modified version. But the -- we are not above copying anything that is successful. And I think that there's been a good deal that's been learned by watching these four railroads. And we will -- if we think we can serve our customers well and get more efficient in the process, we will adopt

whatever we observe. But we don't have to do it today or tomorrow, but we do have to find something that gets at least equal, and hopefully better, customer satisfaction and that makes our railroad more efficient. And there's been growing evidence that from the actions of these other four railroads, there has been growing evidence that we can learn something from what they do.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I doubt that anybody is very interested in un-precision in railroading.

A - Warren Buffett {BIO 1387055 <GO>}

Well, Jonny, has Charlie answered your question?

Q - Jonathan Brandt {BIO 17988091 <GO>}

Yes. Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

Okay. Station number one from the shareholder group up on my far right.

Q - Bill Moyer {BIO 19733856 <GO>}

Good morning. My name is Bill Moyer and I'm from Vashon Island, Washington. And I'm part of a team called The Solutionary Rail Project. Interestingly, only 3.5% of the value of freight in the US moves on trains. Berkshire Hathaway is incredibly well positioned with its investments in the northern and southern trans-con through BNSF to grab far more of that freight traffic off of the roads and get diesel out of our communities, as well as harness transmission corridors for your Berkshire renewable energy assets, for which you're obviously very proud. Would you consider meeting with us to look at a proposal for utilizing your assets and leveraging a public/private partnership to electrify your railroads and open those corridors for a renewable energy future?

A - Warren Buffett {BIO 1387055 <GO>}

No, I -- we've examined a lot of things in terms of LNG. I mean, they're -- obviously, we want to become more energy efficient, as well as just generally efficient. And I'm not sure about the value of freight. You mentioned 3.5%. I believe -- I mean, I'm not sure what figure you're using as the denominator there. Because if you look at movement of traffic by ton miles, rails are around 40% of the US, we're not talking local deliveries or all kinds of things like that but they're 40% roughly by rail. And BNSF moves more ton miles than any other entity. We move 15%-plus of all the ton miles moved in the United States. But if you take trucking, for example, on intermodal freight, we're extremely competitive on the longer hauls, but the shorter the haul, the more likely it is that the flexibility of freight where a truck can go anyplace and we have rails. So, the equation changes depending on distance hauled and other factors, but distance hauled is a huge factor.

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We can move a ton mile 500 -- we can move 500-plus ton miles of freight for one gallon of diesel. And that is far more efficient than trucks. So, the long haul traffic, and the heavy traffic is going to go to the rails and we try to improve our part of the equation on that all the time. But if we're going to transport something 10 or 20 or 30 miles between a shipper and a receiver and they're -- you're not going to move that by rail.

So, we'd look at things all the time, I can assure you. Carl Ice is in -- well, he's probably here now, and he'll be in the other room. And he's running the railroad. You're free to talk to him, but I don't see any breakthrough like you're talking about. I do see us getting more efficient year-by-year-by-year. And, obviously, if trucks -- driverless trucks become part of the equation, that moves things toward trucking. But on long haul heavy stuff, and there's a lot of it, you're looking at the railroad that carries more than any other mode of transportation and BNSF is the leader.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, over the long term, our questioner is on the side of the angels. Sooner or later, we'll have it more like electrified. I think Greg will decide when it happens.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. But we're all working on the technology but -- and we're considerably more efficient than 10, 20, 30 years ago, if you look at the numbers. But it

A - Gregory Abel {BIO 1416724 <GO>}

At the numbers. But it -- one interesting figure, I think right after World War II, when the country probably had about 140 million people against our 330 million now, so we had 40% of the population. We had over a 1.5 million half people employed in the railroad industry. Now there's less than 200,000 and we're carrying a whole lot more freight. Now there's, obviously there's some change in passengers. But the efficiency of the railroads compared to -- and the safety -- compared to what it was even immediately after World War II has improved dramatically.

Charlie, anything more?

A - Charles Munger {BIO 1406508 <GO>}

No.

A - Warren Buffett {BIO 1387055 <GO>}

Okay, Becky?

Q - Becky Quick {BIO 16400962 <GO>}

This is a question that comes from Mike Hebel. He says, The Star Performers Investment Club has 30 partners, all of whom are active or retired San Francisco police officers.

Several of our members have worked in the fraud detail, and have often commented after the years-long fraudulent behavior of Wells Fargo employees, should have warranted jail sentences for several dozen, yet Wells just pays civil penalties and changes management. As proud shareholders of Berkshire, we cannot understand Mr. Buffett's relative silence compared to his vigorous public pronouncement many years ago on Salomon's misbehavior. Why so quiet?

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A - Warren Buffett {BIO 1387055 <GO>}

Yeah, I would say this. The problem, well, as I see it although, you know, I have read no reports internally or anything like that, but it looks like to me like Wells made some big mistakes in what they incentivized. And as Charlie says, there's nothing like incentives, but they can incentivize the wrong behavior. And I've seen that a lot of places. And that clearly existed at Wells. The interesting thing is, to the extent that they set up fake accounts, a couple million of them, that had no balance in them, that could not possibly have been profitable to Wells.

So, you can incentivize some crazy things. The problem is I'm sure is that and I don't really have any inside information on it at all, but when you find a problem, you have to do something about it. And I think that's where they probably made a mistake at Wells Fargo. They made it at Salomon. I mean, John Gutfreund would never have played around with the government. He was the CEO of Salomon in 1991. He never would have done what the bond trader did that played around with the rules the federal government had about government bond bidding.

But when he heard about it, he didn't immediately notify the Federal Reserve. And he heard about it in late April, and May 15th, the government bond auction came along. And Paul Mozer did the same thing he'd done before and gamed the auction. And at this point, John Gutfreund, the destiny of Salomon was straight downhill from that point forward because, essentially he heard about a pyromaniac, and he let him keep the box of matches.

And at Wells, my understanding, there was an article in The Los Angeles Times maybe a couple years before the whole thing was exposed. And somebody ignored that article and Charlie has beaten me over the head all the years at Berkshire because we have 390,000 employees and I will guarantee you that some of them are doing things that are wrong right now. There's no way to have a city of 390,000 people and not need a policeman or a court system. And some people don't follow the rules. And you can incentivize the wrong behavior.

You've got to do something about it when it happens. Wells has become exhibit one in recent years, but if you go back a few years, you can almost go down -- there's quite a list of banks where people behave badly. And where they -- I would not say -- I don't know the specifics at Wells, but I've actually written in the annual report that they talk about moral hazard if they pay a lot of people. The shareholders of Wells have paid a price. The shareholders of Citicorp paid a price. The shareholders of Goldman Sachs, the shareholders of Bank of America, they paid billions and billions of dollars, and they didn't commit the acts.

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And of course, nobody did go -- there were no jail sentences and that is infuriating. But the lesson that was taught was not that the government bailed you out because the government got its money back, but the shareholders of the various banks paid many, many billions of dollars. And I don't have any advice for anybody running a business except, when you find out something is leading to bad results or bad behavior, if you're in the top job, you've got to take action fast. And that's why we have hotlines, that's why we get -- when we get certain anonymous letters, we turn them and certain anonymous letters, we turn them over to the audit committee or to outside investigators. And we will have -- I will guarantee you that we will have some people who do things a little wrong at Berkshire in the next year or five years, 10 years and 50 years. It's -- you cannot have 390,000 people -- and it's the one thing that always worries me about my job, but -- because I've got to hear about those things and I've got to do something about them when I do hear about them.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I don't think people ought to go to jail for honest errors of judgment. It's bad enough to lose your job. And I don't think that any of those top officers was deliberately malevolent in any way. I just -- we're talking about honest errors in judgment. And I don't think Tim Sloan even committed honest errors of his judgment, I just think he was an accidental casually that didn't deserve the trouble. I wish Tim Sloan was still there.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. There's no evidence that he did a thing. But he stepped up to take a job that -- where he was going to be a pinata, basically, for all kinds of investigations. And rightfully, Wells should be checked out on everything they do. All banks should. I mean, they get a government guarantee and they receive trillions of dollars in deposits. And they do that because basically because of the FDIC. And if they abuse that, they should pay a price. And if nobody does anything like a Paul Mozer did, for example with Salomon, they ought to go to jail. Paul Mozer only went to jail for four months. But if you're breaking laws, you should be prosecuted on it. If you do a lot of dumb things, I wish they wouldn't go away -- the CEOs wouldn't go away so rich under those circumstances. But people will do dumb things.

I actually proposed -- I think I may have been on one of the annual reports, even. I proposed that, if a bank gets to where it needs government assistance, that basically the responsible CEO should lose his net worth and his spouse's net worth. If he doesn't want the job under those circumstances. And I think that the directors -- I think they should come after the directors for the last five years, I think I proposed -- of everything they received. But it's the shareholders who pay. I mean, if we own 9% of Wells, whatever this has cost, 9% of it is being borne by us. And it's very hard to tie it directly. One thing you should know, incidentally though, is that the FDIC, which was started I think it was started January 1st, 1934, but it was a New Deal proposal. And the FDIC has not cost the United States government a penny. It now has about \$100 billion in it. And that money has all been put in there by the banks. And that's covered all the losses of the hundreds and hundreds and hundreds of financial institutions. And I think the impression is that the

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government guarantee saved the banks, but the government money did not save the banks. The banks' money, as an industry, not only has paid every loss, but they've accumulated an extra \$100 billion, and that's the reason the FDIC assessments now are going back down. They had them at a high level. And they had a higher level for the very big banks. So it -- when you hear all the talk about -- the political talk about the banks, they have not cost the federal government a penny. There were a lot of actions that took place that should not have taken place. And there's a lot fewer now, I think, than there were in the period leading up to 2008 and '09. But some banks will make big mistakes in the future. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I've got nothing to add to that.

A - Warren Buffett {BIO 1387055 <GO>}

Okay. Jay Gelb from Barclays. Barclays just had a proxy contest of sorts, didn't it?

Q - Jay Gelb {BIO 21247396 <GO>}

I also have a question on Berkshire Hathaway -- I'm sorry -- on share buybacks. Warren, in a recent Financial Times article, your quote is saying that the time may come when the company buys back as much as \$100 billion of its shares, which equates to around 20% of Berkshires current market cap. How did you arrive at that \$100 billion figure? And over what time frame would you expect this to occur?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, I probably arrived at that \$100 billion figure in about three seconds when I got asked the question. It was a nice round figure and we could do it. And we would like to do it if the stock was -- we've got the money to buy in \$100 billion worth of stock. And bear in mind, if we're buying in \$100 billion stock, it probably would be that the company wasn't selling at 500 billion. So, it might buy well over 20%. We will spend a lot of money. We've been involved in companies where the number of shares has been reduced 70% or 80% over time. And we like the idea of buying shares at a discount. We do feel, if shareholders -- if we're going to be repurchasing shares from shareholders who are partners, and we think it's cheap, we ought to be very sure that they have the facts available to evaluate what they own. I mean, just as if we had a partnership, it would not be good if there were three partners and two of them decided that they would sort of freeze out the third, maybe in terms of giving him material information that they knew that that third-party didn't know. So, it's very important that our disclosure be the same sort of disclosure that I would give to my sisters who are the imaginary -- they're not imaginary, but they're the shareholders to whom I address the annual report every year. Because I do feel that you, if you're going to sell your stock, you should have the same information that's important, that's available to me and to Charlie. But we will -- if our stock gets cheap, relative to intrinsic value, we would not hesitate. We wouldn't be able to buy that much in a very short period of time in all likelihood. But we would certainly be willing to spend \$100 billion.

Charlie?

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A - Charles Munger {BIO 1406508 <GO>}

I think when it gets really obvious, we'll be very good at it.

A - Warren Buffett {BIO 1387055 <GO>}

Let me get that straight. What'd you say, exactly?

A - Charles Munger {BIO 1406508 <GO>}

When it gets really obvious, we'll be very good at it.

A - Warren Buffett {BIO 1387055 <GO>}

Oh, yeah. I was hoping that's what you said. Yeah. We will be good at it. We don't have any trouble being decisive. We don't say yes very often. But if it's something obvious -- I mean, Jay, if you and I are partners, and our business is worth \$1 million and you say you'll sell your half to me for \$300,000, you'll have your \$300,000 very quickly.

Okay. Station two.

Q - Unidentified Participant

Good morning. My name is Patrick Donahue from Eden Prairie, Minnesota, and I'm with my 10-year-old daughter, Brooke Donahue. Hi, Warren. Hi, Charlie.

A - Warren Buffett {BIO 1387055 <GO>}

Hi. It's Brooke, is it?

Q - Unidentified Participant

It is.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah.

Q - Unidentified Participant

First, I'm a proud graduate of Creighton University. And I need to say a personal thank you for coming over the years to share your insights. And it's been a tradition since I graduated in 1999 to come to the annual meeting, and thank you for a lifetime of memories.

A - Warren Buffett {BIO 1387055 <GO>}

Thank you.

Q - Unidentified Participant

Brooke is a proud Berkshire shareholder and read the letter and had some questions regarding investments that have been made in the past. And she had made some interesting comments about what she thought was a lot of fun. So, our question for both of you is: outside of Berkshire Hathaway, what is the most interesting or fun personal investment you have ever made?

A - Warren Buffett {BIO 1387055 <GO>}

Well, they're always more fun when you make a lot of money off of them. Well, one time, I bought one share of stock in the Atled Corp. That's spelled A-T-L-E-D. And Atled had 98 shares outstanding and I bought one. And not what you call a liquid security. And Atled happened to be the word delta spelled backwards. And a 100 guys in St. Louis had each chipped in \$50 or \$100 or something to form a duck club in Louisiana and they bought some land down there. Two guys didn't come up with their -- there were a 100 of them -- two of them defaulted on their obligation to come up with a \$100, so there were 98 shares out. And they went down to Louisiana and they shot some ducks. But apparently somebody shot -- fired a few shots into the ground and oil spurted out. And -- those Delta duck club shares -- and I think the Delta duck club field is still producing. I bought stock in it 40 years ago for \$29,200 a share. And it was -- it had that amount in cash and it was producing a lot, and they sold it. If they kept it, that stock might have been worth \$2 million or \$3 million a share, but they sold out to another oil company. But I -- that was certainly -- that was the most interesting --. Actually, I didn't have any cash at the time. And I went down and borrowed the money. And I bought it for my wife. And I borrowed the money. And the loan officer said, would you like to borrow some money to buy a shotgun as well?

Charlie, tell them about the one you missed.

A - Charles Munger {BIO 1406508 <GO>}

Well, I got two investments that come to mind. When I was young and poor, I spent a \$1,000 once buying an oil royalty that paid me 100,000 a year for a great many years. But I only did that once in a lifetime. On a later occasion, I bought a few shares of Belridge Oil, which went up 30 times rather quickly. And -- but I turned down five times as much as I bought. It was the dumbest decision of my whole life. So, if any of you have made any dumb decisions, look up here and feel good about yourselves.

A - Warren Buffett {BIO 1387055 <GO>}

I could add a few, but -- Andrew?

Q - Andrew Ross Sorkin {BIO 6340618 <GO>}

Warren and Charlie, this is a question -- actually, we got a handful of questions on this topic. This is probably the best formulation of it. Warren, you have been a long-time, outspoken Democrat. With all the talk about socialism versus capitalism taking place among Democratic presidential candidates, do you anticipate an impact on Berkshire in the form of more regulations, higher corporate taxes, or even calls for breakups among the many companies we own if they were to win? And how do you think about your own politics as a fiduciary of our company, and at the same time, as someone who has said

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that simply being a business leader doesn't mean you've put your citizenship in a blind trust?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. I have said that you do not put your citizenship in a blind trust. But you also don't speak on behalf of your company. You do speak as a citizen if you speak. And therefore, you have to be careful about when you do speak, because it's going to be assumed you're speaking on behalf of your company. Berkshire Hathaway certainly in 54 years has never -- and will never -- made a contribution to a presidential candidate. I don't think we've made a contribution to any political candidate. But I don't want to say for 54 years, that -- we don't do it now. We operate in several regulated industries. And our railroad and our utility, as a practical matter, they have to have a presence in Washington or in the state legislatures in which they operate.

So, we have some a few I don't know how many political action committees which existed when we bought it when we bought the companies at subsidiaries. And I think, unquestionably, they make some contributions simply to achieve the same access as their competitors. I mean, if the trucking industry is going to lobby, I'm sure the railroad industry's going to lobby. But, the general -- well, the rule is, I mean, that people do not pursue their own political interests with your money here. We've had one or two managers over the years, for example, that would do some fundraising where they were fundraising from people who were suppliers of them or something of the sort. And if I ever find out about it, that ends promptly. But this -- my position at Berkshire is not to be used to further my own political beliefs. But my own political beliefs can be expressed as a person, not as a representative of Berkshire, when a campaign is important. I try to minimize it. But it's no secret that in the last election, for example, I raised money. I won't give money to PACs. I accidentally did it one time. I didn't know it was a PAC. But I don't do it. But I've raised substantial sums. I don't like the way money is used in politics. I've written op-ed pieces for the New York Times in the past on the influence of money in politics. I spent some time with John McCain many years ago before McCain-Feingold, on ways to try to limit it. But the world has developed in a different way.

On your question about the -- I will just say, I'm a card-carrying capitalist. But I -- and I believe we wouldn't be sitting here except for the market system and the rule of law and some things that are embodied in this country. So, I -- you don't have to worry about me changing in that manner. But I also think that capitalism does involve regulation. It involves taking care of people who are left behind, particularly when the country gets enormously prosperous. But beyond that, I have no Berkshire podium for pushing anything.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I think we're all in favor of some kind of a government social safety net in a country as prosperous as ours. What a lot of us don't like is the vast stupidity with which parts of that social safety net are managed by the government. It'd be much better if we could do it, but more wisely. But I think it also might be better if we did it more liberally.

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A - Warren Buffett {BIO 1387055 <GO>}

Yeah. One of the reasons we're involved in this effort along with J.P. Morgan and Amazon -- with J.P. Morgan and Amazon with Jamie Dimon and Jeff Bezos -- on the medical question, is we do have as much money going 3.3 or 3.4 trillion, we have much money going to medical care as we have funding the federal government. And it's gone from 5% to 17% or 18%, while actually the amount going to the federal government has stayed about the same at 17%.

So, we hope there's a -- some major improvements from the private sector because I generally think the private sector does a better job than the public sector in most things. But I also think that if the private sector doesn't do something, you'll get a different sort of answer. And I'd like to think that the private sector can come up with a better answer than the public sector in that respect.

But I will probably -- it depends who's nominated -- but I voted for plenty of Republicans over the years. I even ran for delegate to the Republican National Convention in 1960. But we are not -- I don't think the country will go into socialism in 2020 or in 2040 or 2060. Okay, Gregg Warren.

Q - Gregg Warren {BIO 18090759 <GO>}

Warren, my first question, not surprisingly, is on share repurchase. Stock buybacks in the open market are a function of both willing buyers and sellers. With Berkshire having two shares of classes, you should have more flexibility when buying back stock. But given the liquidity difference that exists between the two share classes with an average of 313 Class A shares, exchanging hands daily the past five years, equivalent to around \$77 million a day, and an average of 3.7 million Class B shares doing the same, equivalent to around 622 million, Berkshire's likely to have more opportunities to buy back Class B shares than Class A, which is exactly what we saw during the back half of last year and the first quarter of 2019.

While it might be more ideal for Berkshire to buy back Class A shares, allowing you to retire shares with far greater voting rights, given that there's relatively little arbitrage between the two share classes and the number of Class B shares increase every year as you gift your Class A shares to the Bill and Melinda Gates Foundation and your children's foundations, can we assume that you're likely to be a far greater repurchaser of Class B shares going forward, especially given your recent comments to the Financial Times about preferring to have loyal individuals on your shareholder list, which a price tag of \$328,000 of Class A shares seems to engender?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, we will -- when we're repurchasing when we're repurchasing shares, if we're purchasing substantial amounts, we're going to spend a lot more on the Class B than the Class A, just because the trading volume is considerably higher. We may from time to time, well, we got offered a couple blocks in history, going back in history from the Yoshi estate and when we had a transaction exchanging our Washington Post stock for both a television station and shares held -- A shares held by the Washington Post.

So, we may see some blocks of A. We may see some blocks of B. But there's no question, if we are able to spend 25, 50 or a \$100 billion dollars in repurchasing shares, more of the money is almost certainly going to be spent on the B than the A. We don't -- there's no master plan on that other than to buy aggressively when we like the price. And as I say, the trading volume in the B is just a lot higher than the A in dollar amounts.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I don't think we care much which class we buy.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. We would like -- we really want the stock ideally, if we could do it if we were small -- once a year we'd have a price and we'd do it like a private company. And it would be a fair price and people who want to get out could get out. And if other people want to buy their interest fine. And if they didn't, and we thought the price was fair, we'd have the company repurchase it. We can't do that. But that's -- we don't want the stock to be either significantly underpriced or significantly overpriced. And we're probably unique on the overpriced part of it. But we don't want it. I do not want the stock selling at twice what's it worth because I'm going to disappoint people, you know. I mean, we can't make it -- there's no magic formula to make a stock worth what it's selling for, if it sells for way too much.

We don't -- from a commercial standpoint, if it's selling very cheap, we have to like it when we repurchase it. But ideally, we would hope the stock would sell in a range that more or less is its intrinsic business value. We have no desire to hype it in any way. And we have no desire to depress it, so we can repurchase it cheap. But the nature of markets is that things get overpriced and they get underpriced. And we will -- if it's underpriced, we'll take advantage of it.

Okay. Station three.

Q - Unidentified Participant

Hello, Charlie Munger and Warren Buffett. My adios [ph]. I am Terry [ph] from Shanghai (inaudible), which aims to catch the best investment opportunity in that era. So, my question is, as we all know, 5G is coming. It is said that the mode of all industry will be challenged in 5G era. So, what is the core competence that we should master, if Berkshire Hathaway wants to catch the best investment opportunities in this era? Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

Well, there's no core competence at the very top of Berkshire. The subsidiaries that will be involved in developments relating the 5G, or any one of all kinds of things that are going to happen in this world. The utility of LNG in the railroad, or all those kinds of questions, we have people in those businesses that know a lot more about them than we do. And we count on our managers to anticipate what is coming in their business. And sometimes they talk to us about it. But we do not run that from a -- on a centralized basis.

And Charlie, do you want to have anything to add to that? Do you know anything about 5G, I don't know? Well, you probably know a lot about 5G.

A - Charles Munger {BIO 1406508 <GO>}

No, I know a very little about 5G. But I do know a little about China. And we have bought things in China. And my guess is we'll buy more.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. But, I mean, we basically want to have a group of managers, and we do have a group of managers, who are on top of their businesses. I mean, you saw something that showed BNSF and Berkshire Hathaway Energy and Lubrizol, all aware of that. Those people know their businesses. They know what changes are likely to be had. Sometimes, they find things that they can cooperate on between their businesses. But we don't try to run those from headquarters and that may mean -- that may have certain weaknesses at certain times. I think, net, it's been a terrific benefit for Berkshire. Our managers to a great degree, own their businesses. And we want them to feel a sense of ownership. We don't want them to be lost in some massive conglomerate than nobody that where they get directions from this group, which is a subgroup of that group.

And I could tell you a few horror stories from companies we bought, when they tell us about their experience under such an operation. The world is going to change in dramatic way. Just think how much it's changed in the 54 years that we've had Berkshire. And some of those changes hurt us. They hurt us in textiles. They hurt us in shoes. They hurt us in the department store business. Hurt us in the trading stamp business. These were the founding businesses of this operation.

But we do adjust and we've got a group overall of very good businesses. We've got some that will be actually destroyed by what happens in this world. But that's -- I still -- am the card-carrying capitalist. And I believe that that's a good thing, but you have to make changes. We had 80% of the people working on farms in 1800. And if there hadn't been a lot of changes, and you needed 80% of the people in the country producing the food and cotton we needed, we would have a whole different society. So, we welcome change.

And we certainly want to have managers that can anticipate and adapt to it. But sometimes, we'll be wrong. And those businesses will wither and die. And we'd better use the money someplace else.

A - Charles Munger {BIO 1406508 <GO>}

Okay, Carol. Charlie, we haven't had any peanut brittle lately.

Q - Carol Loomis {BIO 7137249 <GO>}

This question comes from Vincent James of Munich, Germany. There has been a lot written about the recent impairment charge at Kraft Heinz. You were quoted as stating that you recognize that Berkshire overpaid for Kraft Heinz. Clearly, major retail chains are being more aggressive in developing house brands. In addition, Amazon has announced

intentions to launch grocery outlets, being that, as Mr. Bezos has often stated, your margin is my opportunity. The more-fundamental question related to Kraft Heinz may be whether the advantages of the large brands and zero-based budgeting that 3G has applied are appropriate and defensible at all in consumer foods. In other words, will traditional consumer good brands in general and Kraft Heinz in particular, have any moat in their future? My question is, to what extent do the changing dynamics in the consumer food market change your view on the long-term potential for Kraft Heinz?

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A - Warren Buffett {BIO 1387055 <GO>}

Yeah, actually, what I said was, we paid too much for Heinz, I mean to Kraft I'm sorry -- the Heinz part of the transaction, when we originally owned about half of Heinz. We paid an appropriate price there and we actually did well. We had some preferred redeemed and so on. We paid too much money for Kraft. To some extent, our own actions had driven up the prices. Now, Kraft Heinz, the profits of that business, 6 billion we'll say very, very, very roughly, I'm not making forecast, but 6 billion pretax on 7 billion of tangible assets is a wonderful business. But you can pay too much for a wonderful business.

We bought See's Candy and we made a great purchase as it turned out. And we could've paid more. But there's some price at which we could've bought even See's Candy, and it wouldn't have worked. So, the business does not know how much you paid for it. I mean, it's going to earn based on its fundamentals. And we paid too much for the Kraft side of Kraft Heinz.

Additionally, the profitability has basically been improved in those operations over the way they were operating before. But you're quite correct that Amazon itself has become a brand. Kirkland, at Costco is a \$39 billion brand, all of Kraft Heinz is \$26 billion. And it's been around for -- on the Heinz side -- it's been around for 150 years. And it's been advertised billions and billions and billions of dollars in terms of their products. And they go through tens of thousands of outlets.

And here's somebody like Costco, establishes a brand called Kirkland and it's doing 39 billion, more than virtually any food company. And that brand moves from product to product, which is terrific, if a brand travels. I mean, Coca Cola moves it from Coke to Cherry Coke and Coke Zero and so on. But to have a brand that can really move and Kirkland does more business than Coca Cola does. And Kirkland operates through 775 or so stores, they call them warehouses at Costco. And Coca Cola is through millions of distribution outlets.

So, brands -- the retailer and the brands have always struggled as to who gets the upper hand in moving a product to the consumers. And there's no question, in my mind, that the position of the retailer relative to the brands, which varies enormously around the world. In different countries, you've had 35% even maybe 40% be private-label brands in soft drinks. And it's never gotten anywhere close to that in the United States. So, it varies a lot.

But basically, retailers -- certain retailers -- the retail system has gained some power. And particularly in the case of Amazon and Walmart and their reaction to it, and Costco and some others I can name has gained in power relative to brands. Kraft Heinz is still doing

very well operationally. But we paid too much. If we paid 50 billion, you know, it would've been a different business. It'd still be earning the same amount. You can turn any investment into a bad deal by paying too much. What you can't do is turn any investment into a good deal by paying little which is sort of how I started out in this world.

But the idea of buying the cigar butts that are declining or poor businesses for a bargain price is not something that we try to do anymore. We try to buy good businesses at a decent price. And we made a mistake on the Kraft part of Kraft Heinz. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, we it's not a tragedy that out of two transactions, one worked wonderfully and the other didn't work so well. That happens. Reduction in costs, there can always be mistakes made when you've got places in your rearranging -- reorganizing them to do more business with the same number of people. And we like buying businesses that are efficient to start with, but it's -- the management -- the operations of Kraft Heinz have been improved under the present management overall, but we've paid a very high price in terms of the Kraft part, we didn't we paid the appropriate price in terms of Heinz.

Jonathan?

Q - Jonathan Brandt {BIO 17988091 <GO>}

Internet based furniture retailers like Wayfair, appear willing to stomach large current losses acquiring customers in the hope of converting them to loyal online shoppers. I've been wondering what this disruptive competition might do to our earnings from home furnishing retail operations like Nebraska Furniture Mart. If we have to transition to more of an online model, might we have to spend more heavily to keep shoppers without a corresponding increase in sales? The sharp decline in first quarter earnings from home furnishings suggest, perhaps some widening impact from intensifying competition. Do you believe Wayfair's customers first, profits later model is unsustainable? Or do you think our furniture earnings will likely be permanently lower than they were in the past?

A - Warren Buffett {BIO 1387055 <GO>}

I think furnishings -- the jury's still out on that, whether the operations which have grown very rapidly in size but still are incurring losses, how they will do over time. It is true that in the present market, partly because of some successes, like, most dramatically, Amazon in the past, that investors are willing to look at losses as long as sales are increasing, and hope that there will be better days ahead. We do a quite significant percentage of our sales online in the furniture operation. That might surprise you. We do the highest percentage in Omaha. And what's interesting is that, we -- I won't give you the exact numbers, but it's large -- we do a significant dollar volume, but a very significant portion of that volume, people come to the store to pick up, so that they will order something from us online, but they don't seem to mind at all -- and they don't have to do it -- but they get a pick up at the store.

So, you learn what customers like, just like people learned in fast food, that people would buy a lot of food by going through a drive-in, that they don't want to stop and go into the place. We learn about customer behavior as it unfolds. But we did do, now -- on Tuesday,

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we did \$9.2 million of -- or \$9.3 million of profitable volume at the Nebraska Furniture Mart. And I think that company had paid-in capital of \$2,500. And I don't think anything's been added since. So, it's working so far. The first quarter -- it's interesting, the first quarter was weak at all four of our furniture operations. But there are certain other parts of the economy -- well, just home building, generally. It's considerably below what home building, generally -- it's considerably below what you would've expected, considering the recovery we have had from the 2008-2009 period. I mean, if you look at single-family home construction, the model has shifted more to people living in apartment rentals. I think it's gone from 69-and-a-fraction percent. It got down to 63%, it's bounced up a little bit. But people are -- they're just not building or moving to houses as rapidly as I would have guessed they would have, based on figures prior to 2008 and '09, and considering the recovery we've had, and considering the fact that money is so cheap.

And that has some effect on our furniture stores. But I think we've got a very good furniture operation, not only with the Nebraska Furniture Mart, but at other furniture operations. And we will see whether the models work over the long run. But I think, they have a reasonable chance. Some things people -- we're learning that people will buy some things that they've always gone to the mall or to a retail outlet to buy, that they will do it online. And others don't work so well. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I think that we'll do better than most furniture retailers.

A - Warren Buffett {BIO 1387055 <GO>}

I think that's a certainty overall, overall. But we've got some good operations there. And -- but we don't want to become a showroom for the online operations and have people come and look around the place and then order someplace else. So, we have to have the right prices. And we're good at that at the Furniture Mart. Station four.

Q - Unidentified Participant

Warren and Charlie, my name is Brent Muio. I'm from Winnipeg, Canada. First, thank you for devoting so much time and energy to education. I'm a better investor because of your efforts. But more important, I'm a better partner, friend, son, brother, and soon-to-be first-time father. There's nothing more important than these relationships and my life is better because you're willing to pass on your experience and wisdom. My path into finance was unconventional. I worked as an engineer for 12 years, while two years ago, I began a career in finance, working for the Civil Service Superannuation Board, a \$7 billion public pension fund in Winnipeg. I work on alternative investments, which include infrastructure, private equity, and private credit. I go to work every day knowing that I'm there to benefit the hardworking current and future beneficiaries of the fund. Like most asset classes, alternative purchase multiples have increased. More of these assets are funded with borrowed money. And the terms and covenants on this debt are essentially nonexistent. With this in mind and knowing the constraints of illiquid, closed-end funds, please give me your thoughts on private, alternative investments, the relevancy in public pension funds, and your view on long-term return expectations?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. If you would leveraged up investments in just common stocks, and you'd figured a way, so that you would have staying power, if there were any market dip, I mean, you'd obviously obtain extraordinary returns. I pointed out, in my investing lifetime, if an index fund would do 11%, well, imagine how well you would have done if you'd leveraged that up 50% whatever the prevailing rates were over time.

So, a leveraged investment in a business is going to beat an unleveraged investment in a good business, a good bit of the time. But as you point out, the covenants to protect debt holders have really deteriorated in the business. And, of course, you've been in an upmarket for businesses. And you've got a period of low interest rates. So, it's been a very good time for it.

My personal opinion is, if you take unleveraged returns against unleveraged common stocks, I do not think what is being purchased today and marketed today would work well. But if you can borrow money, if you can buy assets that will yield 7% or 8%, you can borrow enough money at 4% or 5%, and you don't have any covenants to meet, you're going to have some bankruptcies. But you're going to also have better results in many cases. It's not something that interests us at all. We are not going to leverage up Berkshire. If we'd leveraged up Berkshire, we'd have made a whole lot more money, obviously, over the years. But both Charlie and I, probably, have seen some more high-IQ people -- really extraordinarily high-IQ people destroyed by leverage. We saw Long-Term Capital Management, where we had people who could do in their sleep math that we couldn't do, at least I couldn't do, working full time at it during the day and, I mean, really, really smart people working with their own money and with years and years of experience of what they were doing. And you know, it all turned to pumpkins and mice in 1998. And actually, it was a source of national concern, just a few hundred people. And then we saw some of those same people, after that happened to them once, go on and do the same thing again.

So, it's -- I would not get excited about so-called alternative investments. There is -- you can get all kinds of different figures. But there may be -- there's probably at least a trillion dollars committed to buying, in effect, buying businesses. And if you figure they're going to leverage them two for one on that, you may have 3 trillion of buying power trying to buy businesses in -- well, the US market may be something over 30 trillion now -- but there's all kinds of businesses that aren't for sale and that thing.

So, the supply-demand situation for buying businesses privately and leveraging them up has changed dramatically from what it was ten or 20 years ago. And I'm sure it doesn't happen with your Winnipeg operation, but we have seen a number of proposals from private equity funds, where the returns are really not calculated in a manner that -- well, they're not calculated in a manner that I would regard as honest.

And so I -- it's not something -- if I were running a pension fund, I would be very careful about what was being offered to me. If you have a choice in Wall Street between being a great analyst or being a great salesperson, salesperson is the way to make it. If you can raise \$10 billion in a fund, and you get a 1.5% percent fee, and you lock people up for ten

years, you know, you and your children and your grandchildren will never have to do a thing, if you are the dumbest investor in the world. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I think what we're doing will work more safely than what he's doing. And -- but I wish him well.

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A - Warren Buffett {BIO 1387055 <GO>}

Yeah, Brent, you sound -- actually, you sound like a guy that I would hope would be working for a public pension fund because frankly, most of the institutional funds, well, we had this terrible -- right here in Omaha and you can get a story of what happened with our Omaha Public Schools' retirement fund. And they were doing fine until the manager started going in a different direction. And the trustees here -- perfectly decent people, and the manager had done okay to that point, and it became...

A - Charles Munger {BIO 1406508 <GO>}

Yeah. But they are smarter in Winnipeg than they are here.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. Well...

A - Charles Munger {BIO 1406508 <GO>}

That was pretty bad here.

A - Warren Buffett {BIO 1387055 <GO>}

It's not a fair fight, actually, when a -- usually, when a bunch of public officials are listening to people who are motivated to really just get paid for raising the money. Everything else is gravy after that. But if you run a fund, and you get even 1% of a \$1 billion, you're getting \$10 million a year coming in. And if you've got the money locked up for a long time, it's a very one-sided deal. And I've told the story of asking the guy one time, in the past, how in the world can you -- why in the world can you ask for two and 20 when you really haven't got any kind of evidence that you are going to do better with the money than you do in an index fund? And he said, well, that's because I can't get three and 30.

A - Charles Munger {BIO 1406508 <GO>}

What I don't like about a lot of the pension fund investments is I think they like it because they don't have to mark it down as much as it should be in the middle of the panics. I think that's a silly reason to buy something. Because you're given leniency in marking it down.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. And when you commit the money -- in the case of private equity often, you -- they don't take the money, but you pay a fee on the money that you've committed. And, of course, you really have to have that money to come up with at any time. And, of course, it

makes their return look better, if you sit there for a long time in treasury bills, which you have to hold, because they can call you up and demand the money, and they don't count that. They count it in terms of getting a fee on it. But they don't count it in terms of what the so-called internal rate of return is. It's not as good as it looks. And I really do think that when you have a group sitting as a state pension fund...

A - Charles Munger {BIO 1406508 <GO>}

Warren, all they're doing is lying a little bit to make the money come in.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. Yeah, well, that sums it up.

Becky?

Q - Becky Quick {BIO 16400962 <GO>}

This question is from Ken Skarbeck in Indianapolis. He says, with the full understanding that Warren had no input on the Amazon purchase, and that, relative to Berkshire, it's likely a small stake, the investment still caught me off guard. I'm wondering if I should begin to think differently about Berkshire looking out, say, 20 years. Might we be seeing a shift in investment philosophy away from value-investing principles that the current management has practiced for 70 years?

Amazon is a great company. Yet, it would seem its heady shares 10 years into a bull market appear to conflict with being fearful when others are greedy. Considering this and other recent investments, like StoneCo, should we be preparing for change in the price versus value decisions that built Berkshire?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. It's interesting that the term value investing came up. Because I can assure you that both managers who -- and one of them bought some Amazon stock in the last quarter, which will get reported in another week or 10 days. He is a value investor. The idea that value is somehow connected to book value or low price or earnings ratios or anything, as Charlie has said, all investing is value investing. I mean, you're putting out some money now to get more later on. And you're making a calculation as to the probabilities of getting that money and when you'll get it and what interest rates will be in between. And all the same calculation goes into it, whether you're buying some bank at 70% of book value, or you're buying Amazon at some very high multiple of reported earnings.

Amazon, the people making the decision on Amazon are absolutely as much value investors as I was when I was looking around for all these things selling below working capital, years ago. So, that has not changed. The two people, that one of whom made the investment in Amazon, they are looking at many hundreds of securities. And they can look at more than I can, because they're managing less money. And their universe -- possible universes, is greater. But they are looking for things that they feel they understand what will be developed by that business between now and Judgement Day, in cash. And it's

not sales -- current sales can make their -- some difference. Current profit margins can make some difference. Tangible assets, excess cash, excess debt, all of those things go into making a calculation as to whether they should buy A versus B versus C. And they are absolutely following value principles. They don't necessarily agree with each other or agree with me. But they are very smart. They are totally committed to Berkshire. And they're very good human beings, on top of it.

So, I don't second guess them on anything. Charlie doesn't second guess me. In 60 years, he's never second guessed me on an investment. And the considerations are identical when you buy Amazon versus some, say, bank stock that looks cheap, statistically, against book value or earnings or something of the sort. In the end, it all goes back to Aesop, who, in 600 B.C., said, that a bird in the hand is worth two in the bush. And when we buy Amazon, we try and figure out whether the -- or the fellow that bought it, tries to figure out whether there's three or four or five in the bush and how long it'll take to get to the bush, how certain he is that he's going to get to the bush, and then who else is going to come and try and take the bush away and all of that sort of thing. And we do the same thing. And it really, despite a lot of equations you learn in business school, the basic equation is that of Aesop. And your success in investing depends on how well you were able to figure out how certain that bush is, how far away it is, and what the worst case is, instead of two birds being there, and only one being there, and the possibilities of four or five or 10 or 20 being there. And that will guide me. That will guide my successors in investment management at Berkshire. And I think they'll be right more often than they're wrong.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I -- Warren and I are a little older than some people, and...

A - Warren Buffett {BIO 1387055 <GO>}

And near everybody.

A - Charles Munger {BIO 1406508 <GO>}

And we're not the most flexible, probably, in the whole world. And, of course, if something as extreme as this internet development happens, and you don't catch it, why, other people are going to blow by you. And I don't mind not having caught Amazon early. The guy is kind of a miracle worker. It's very peculiar. I give myself a pass on that. But I feel like a horse's ass for not identifying Google better. I think Warren feels the same way.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah.

A - Charles Munger {BIO 1406508 <GO>}

Which we screwed up.

A - Warren Buffett {BIO 1387055 <GO>}

He's saying we blew it. And we did have some insights into that, because we were using them at GEICO, and we were seeing the results produced. And we saw that we were paying \$10 a click, or whatever it might have been, for something that had a marginal cost to them of exactly zero. And we saw it was working for us. So, we...

A - Charles Munger {BIO 1406508 <GO>}

We could see in our own operations how well that Google advertising was working and we just sat there sucking our thumbs. So, we're ashamed, we're trying to atone, maybe Apple was atonement.

A - Warren Buffett {BIO 1387055 <GO>}

When he says, sucking our thumbs, I'm just glad he didn't use some other example. Okay, Jay?

Q - Jay Gelb {BIO 21247396 <GO>}

This question is on Berkshire's intrinsic value. Warren, in your most-recent annual letter, you discussed a methodology to estimate Berkshire's intrinsic value. However, a major component of Berkshire's value that many investors find challenging to estimate is that of the company's vast and unique insurance business. Could you discuss how you value the company's insurance unit, based on information Berkshire provides, especially since GAAP book value is not disclosed, of the insurance unit?

A - Warren Buffett {BIO 1387055 <GO>}

Well, our insurance business gives us a float that's other people's money, which we're temporarily holding, but which gets regenerated all the time, so as a practical matter, it has a very, very long life. And it's probably a little more likely to grow than shrink. So, we have \$124 billion that people have given us. And that's somewhat like having a bank that just consists of one guy. And people come in and deposit \$124 billion and promise not to withdraw it forever.

And we've got a very good insurance business. It's taken a very long time to develop it, very long time. In fact, I think we probably have the best property-casualty operation, all things considered, in the world, that I know of, of any size. So, it's worth a lot of money. It's probably -- we think it's worth more to us, and we particularly think it's worth more while lodged inside Berkshire. We'd have a very, very high value on that. I don't want to give you an exact number, because I don't know the exact number.

But -- and any number I would have given you in the past would've turned out to be wrong, on the low side. We have managed to earn money on money that was given to us for nothing and have just earnings from underwriting and then have these large earnings from investing. And it's an integral part of Berkshire. There's a certain irony to insurance that most people don't think about. But if you really are prepared, and you have a diversified property-casualty insurance business -- a lot of property business in it -- if you're really prepared to pay your claims under any circumstances that come along in the

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next hundred years, you have to have so much capital in the business that it's not a very good business. And if you really think about a worst-case situation, the reinsurance -- that's insurance you buy from other people, as an insurance company, to protect you against extreme losses, among other things -- that reinsurance probably could likely be not good at all.

So, even though you'd think you're laying off part of the risk, if you really take the worse-case examples, you may well not be laying off the risk. And if you keep the capital required to protect against that worse-case example, you'll have so much capital in the business that it isn't worthwhile. Berkshire is really the ideal form for writing the business because we have this massive amount of assets that, in many cases, are largely uncorrelated with natural disasters.

And we can -- we don't need to buy reinsurance from anybody else. And we can use the money in a more efficient way than most insurance companies. It's interesting. The three - - In the last 30 years, the three largest reinsurance companies -- and I'm counting Lloyd's as one company -- although it isn't -- it's a group of brokers assembled in underwriters assembled at a given location. But people think of Lloyd's as a massive reinsurance market, which it is, not technically one entity. But if you take the three largest companies -- and they're all in fine shape now, they're first-class operations -- but all three of them came close to extinction sometime in the last 30 years, reasonably close.

And we didn't really have any truly extraordinary natural catastrophes. The worst we had was Katrina in, whatever it was, 2006 or thereabouts 2005. But we didn't have any worst-case situation. And all three of those companies, which everybody looks at as totally good on the asset side, if you show a recoverable from them, two of the three actually made some deals with us to help them in some way.

And they're all in fine shape now. But it's really not a good business if you keep your -- as a standalone insurer -- if you keep enough capital to really be sure you can pay anything that comes along under any kind of conditions. And Berkshire can do that, and it can use the money in ways that it likes to use. So it's a very valuable asset. I don't want to give you a figure on it, but we would not sell it. We certainly wouldn't want to sell it for its float value. And if that float is negative -- is shown on the balance sheet as a liability, so it's extraordinary. And it's taken a long time to build. It'd be very, very, very hard for anybody to -- I don't think they could build anything like it. It just takes so long.

And we continue to plow new ground. If you want in the next room, you would have seen something called THREE, which is our movement toward small and medium business owners for commercial insurance. And there is an online operation. And it will take all kind of -- we'll do all kinds of mid-course adjusting and that sort of thing, we're only just started up in four states, but we'll -- 10 or 20 years from now that will be a significant asset of Berkshire just like GEICO has growing from two and a fraction billion of premium to who knows, but well into the mid-\$30 billion just with Tony Nicely. And when I said in the annual report that Tony Nicely, who's here today...

A - Charles Munger {BIO 1406508 <GO>}

Warren, is there anybody in the world who has a big casualty insurance business that you would trade our business for theirs?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. Oh, no, we really -- it's taken a long time and it's taken some tremendous people. And Tony Nicely has created more than \$50 billion, with his associates and he's got 39,000 of them, more than -- probably more now because he's growing this year. He has created more than \$50 billion at GEICO -- of value for Berkshire.

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A - Charles Munger {BIO 1406508 <GO>}

Yeah. It's pretty much what you'd expect. It's such an easy business, taking in money now in cash and just keeping the books and giving a little of it back. There's a lot of stupidity that gets into it. And if you're not way better than the average at it, you're going to lose money in the end. It's a mediocre business for most people. And it's good at Berkshire only because we're a lot better at it. And if we ever stop being a lot better at it, it wouldn't be safe for us, either.

A - Warren Buffett {BIO 1387055 <GO>}

And Ajit Jain has done a similar thing. He's done it in a variety of ways within the insurance business. But I would not want to undo -- if somebody would have to give me more than \$50 billion to undo everything he has produced for Berkshire. And he walked into my office on a Saturday in the mid-1980s, he'd never been in the insurance business before. And I don't think there's anybody in the insurance world that doesn't wish that he'd walked into their office instead of ours, at Berkshire, it's been extraordinary, it's truly been extraordinary. But we have Tom Nerney, we have Tim Kenesey at MedPro. We have Tom Nerney at US Liability. We have -- at GUARD Insurance -- we only bought that a few years ago, and that's a terrific operation. It's based in Wilkes-Barre, Pennsylvania. Who would expect to find a great insurance operation in WilkesBarre? But we've got a great insurance -- really great -- insurance operation right here in Omaha, about two miles from here.

And it was bought by us in 1967 and it changed Berkshire. We built on that base. We've got a -- we really got a great insurance business. And I won't give you a number, but it's probably a bigger number than you've got in your head for -- and it's worth more within Berkshire than it would be worth as an independent operation. Somebody can say, well, this little gem, if it was put out there, would sell at a higher multiple, or something of the sort.

It works much better as being part of a whole, where we have had two tiny operations -- two tiny insurance operations -- many, many years ago. And they both went broke. The underwriting was bad. But we paid all the claims. We did not walk away. We paid every dime of claims. And nobody worries about doing any kind of financial transaction with Berkshire. And you know that today -- on Saturday -- about nine in the morning, I got a phone call. And we made a deal the next day committing Berkshire to pay out \$10 billion, come hell or high water, no outs for, you know, material adverse change or anything like that.

And people know we'll be there with \$10 billion. And they know, in the insurance business, when we write a policy that may come -- be payable during the worst catastrophe in history, or may be payable 50 years from now, they know Berkshire will pay. And that's why we've got \$124 billion of float. Okay, station five.

Q - Unidentified Participant

Hey, Warren and Charlie. I'm Neil Nerrono. I'm 13 years old and from San Francisco. I feel like I see you in our living room a lot. My dad is constantly playing these videos of you at these meetings. And he teaches me a lot of lessons about you guys. But many of them require the delayed gratification skill. I want to know, is there any way that kids can develop the delayed gratification skill?

A - Charles Munger {BIO 1406508 <GO>}

I'll take that, because I'm a specialist in delayed gratification. I've had a lot of time to delay it. And my answer is that they sort of come out of the womb with the delayed gratification thing, or they come out of the womb where they have to have everything right now. And I've never been able to change them at all. So, we identify it. We don't train it in.

A - Warren Buffett {BIO 1387055 <GO>}

Charlie's had eight children, so he's become more and more of a believer in nature versus nurture.

A - Charles Munger {BIO 1406508 <GO>}

You'll probably see some nice, old woman of about 95 out there, in threadbare clothing. And she's delaying gratification right to the end and probably has 4,000 A shares. It's just these second and third generation types that are buying all the jewelry.

A - Warren Buffett {BIO 1387055 <GO>}

It's interesting. If you think about -- we'll take it to a broader point. But if you think of a 30-year government bond paying 3% and you allow for as an individual, paying some taxes on the 3% you'll receive, and you'll have the Federal Reserve Board saying that their objective is to have 2% percent inflation, you'll really see that delayed gratification, if you own a long government bond, is that, you know, you get to go to Disneyland and ride the same number of rides 30 years from now that you would if you did it now. The low interest rates, for people who invest in fixed-dollar investments, really mean that you really aren't going to eat steak later on if you eat hamburgers now, which is what I used to preach to my wife and children and anybody else that would listen, many years ago.

So, it's -- I don't necessarily think that, for all families, in all circumstances, that saving money is necessarily the best thing to do in life. I mean, if you really tell your kids they can -- whatever it may be, they never go to the movies, or we'll never go to Disneyland or something of the sort, because if I save this money, 30 years from now, well, we'll be able to stay a week instead of two days. I think there's a lot to be said for doing things that bring you and your family enjoyment, rather than trying to save every dime.

So, I -- delayed gratification is not necessarily an unqualified course of action under all circumstances. I always believed in spending two or three cents out of every dollar I earn and saving the rest. But I've always had everything I wanted. I mean, one thing you should understand, if you aren't happy having \$50,000 or a \$100,000, you're not going to be happy if you have \$50 million or \$100 million. I mean, it -- look, a certain amount of money does make you feel, and those around you feel better just in terms of being more secure, in some cases. But loads and loads of money, I probably know as many rich people as just about anybody. And I do not -- I don't think they're happier because they get super rich. I think they are happier when they don't have to worry about money. But you don't see a correlation between happiness and money, beyond a certain place. So, don't go overboard on delayed gratification.

Andrew?

Q - Andrew Ross Sorkin {BIO 6340618 <GO>}

This question comes from a shareholder of yours for more than 20 years, who asked to remain anonymous, but wanted me to start by saying, Warren and Charlie, I want to preface this question by saying it comes from a place of love for both of you and the beautiful painting you've drawn for us in the form of Berkshire.

A - Warren Buffett {BIO 1387055 <GO>}

But.

Q - Andrew Ross Sorkin {BIO 6340618 <GO>}

Now, please update us on succession planning. And as you think about succession, would you ever consider having Greg and Ajit join you onstage at future annual meetings and allow us to ask questions of them and Ted and Todd,

A - Warren Buffett {BIO 1387055 <GO>}

them and Ted and Todd, as well, so we can get a better sense of their thinking. That's probably a pretty good idea and we've talked about it. We have Greg and Ajit here. And any questions that anybody wants to direct to them, it's very easy to move them over. So, we thought about having four of us up here. And this format is not set in stone at all because you -- I can tell you that, actually, the truth is, Charlie and I are afraid of looking bad. Those guys are better than we are.

You could not have two better operating managers than Greg and Ajit. I mean, they are -- it is just fantastic, what they accomplished. They know the businesses better, they work harder by far. And you are absolutely invited to ask questions to be directed over to them at this meeting. I don't think -- yeah, this format will not be around forever. And if it's better to get them up on the stage, we'll be happy to do it.

Ted and Todd, they're basically not going to answer investment questions. We regard investment decisions as proprietary, basically. They belong to Berkshire. And we are not an investment advisory organization. So, that is counter to the interests of Berkshire for

them to be talking about securities they own. It's counter to the interests of Berkshire for Charlie or me to be doing it.

We've done better because we don't publish every day what we're buying and selling. I mean, if somebody's working on a new product at Apple or somebody's working on a new drug or they're assembling property or something of the sort, they do not go out and tell everybody in the world exactly what they're doing every day. And we're trying to generate ideas in investment. And we do not believe in telling the world what we're doing every day, except to the extent that we're legally required. But it's a good idea. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, one of the reasons we have trouble with these questions is because Berkshire is so very peculiar. There's only one thing like it. We have a different kind of unbureaucratic way of making decisions. There aren't any people in headquarters. We don't have endless committees deliberating forever and making bad decisions. We just -- we're radically different. And it's awkward being so different. And -- but I don't want to be like everybody else because this is work better. So, I think you're just going to have to endure us.

A - Warren Buffett {BIO 1387055 <GO>}

We do think that it's a huge corporate asset, which may only surface very occasionally and depending very much on how the world is around us. But to be the one place, I think, in the world almost, where somebody can call on a Saturday morning and meet on Sunday morning and have a \$10 billion commitment. And nobody in the world doubts whether that commitment will be upheld. And it's not subject to any kind of welshing on the part of the Company that's doing it. It's got nothing involved other than Berkshire's word. And that's an asset that, every now and then, it will be worth a lot of money to Berkshire. And I don't really think it will be subject to competition.

So -- and Ted and Todd, in particular, are an additional pipeline, and have proven to be an additional pipeline in terms of facilitating the exercise of that ability. I mean, they -- things come in through them, but for one reason or another, I might not hear about otherwise. So they have expanded our universe. In the markets we've had in recent years, that hasn't been important. I can see periods where they would be enormously valuable. Just take the question that was raised by the fellow from Winnipeg about weak covenants and bonds. I mean, we could have a situation, who knows when, who knows where, or who knows whether, but we could have a situation where it could be massive defaults in the junk bond type market. We've had those a couple of times and we made a fair amount of money off of them. But Ted and Todd when multiply our effectiveness in a big way, if such a period comes along or some other types of periods come along. They are very, very, very useful to Berkshire. The call happened to come in on Friday from Brian Moynihan of -- CEO of Bank of America, and he's done an incredible job. But we have a better chance of getting more calls and having them properly filtered and everything -- appropriately filtered. The next time conditions get chaotic than we did last time and that's important.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I do think it's true that if the world goes to hell in a hand basket, that you people will be in the right company. We've got a lot of cash and we know how to behave well in a panic. And if the world doesn't go to hell, I think so bad now? And I also want to report that your Vice Chairman is getting new social distinction. I've been invited during this gathering to go to a happy hour put on by the Bitcoin people. And I've tried to figure out what the Bitcoin people do in their happy hour, and I finally figured it out. They celebrate the life and work of Judas Iscariot.

A - Warren Buffett {BIO 1387055 <GO>}

Is your invitation still good? Well, Bitcoin, actually -- on my honeymoon in 1952, my bride, 19 and I, 21, stopped in Las Vegas. We just got in -- my aunt Alice gave me the car and said, have a good time and we went west. So we stopped in the Flamingo, and I looked around, and I saw all of these well-dressed -- they dressed better in those days, well-dressed people who had come, in some cases, from thousands of miles away. And this was before jets, so transportation wasn't as good. And they came to do something that every damn one of them knew was mathematically dumb. And I told Susie, I said, we are going to make a lot of money. I mean, imagine people going to stick money on some roulette number with a zero and a double zero there and knowing the percent. They all could do it, and they just do it. And I have to say, Bitcoin has rejuvenated that feeling in me.

Okay. Gregg?

Q - Gregg Warren {BIO 18090759 <GO>}

Warren and Charlie, while I understand Berkshire's need to trim its stake in Wells Fargo and any other banks you hold, each year, in order to bring Berkshire's ownership stake below the 10% threshold required by the Federal Reserve for bank holdings, given the ongoing share repurchase activity that's taking place in the industry, I was kind of surprised though to see you move to trim all of your holdings where possible on a regular basis to eliminate the regulatory requirements that come with ownership levels above 10%, which in my view limits the investment universe that Berkshire or at least Warren can meaningfully invest in longer-term, given that Warren manages a large chunk of Berkshire's \$200 billion equity portfolio. Could you elaborate more on the regulatory impact for Berkshire of holding more than 10% of any company's stock, as well as how you feel about the Fed's recent proposal to allow investors like Berkshire to own up to 25% of the shares of a bank without triggering more restrictive rules and oversight? Basically, if that proposal were to come to fruition, would you be willing to forego that 10% threshold self-imposed that you've done, and put money to work in names that you're already fairly comfortable with?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, the 10%, there's a couple of reasons...

A - Charles Munger {BIO 1406508 <GO>}

That's the right answer. Yeah.

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Bloomberg Transcript

A - Warren Buffett {BIO 1387055 <GO>}

We will -- there's two factors beyond in the case of banks. There's the Federal Reserve requirement there, but many people probably don't even -- might not know about this, but if you own over 10% of a security -- common stock -- and you sell it within six months at a profit, you give the money over to the company, the short-swing profit that you give them. And you match your any sale against your lowest purchase. And I think if you sell it and then buy it within six months -- I'm not as positive about that, because I haven't reread the rule for a lot of years.

But I think if you sell and then buy within six months, and the purchase is below the price at which you made the sale, you owe the money to the company. There used to be lawyers that would scan that monthly SEC report that I used to get 30 or 40 years ago. They would scan it to find people that inadvertently had broken that rule, and they would get paid a fee for recovering it for the company. So, it restricts enormous -- it restricts significantly your ability to reverse a position ability to reverse a position or change your mind or something of the sort.

Secondly, I think you have to report within two or three business days every purchase you make once you're in that over 10% factor. So, you're advertising to the world, but the world tends to follow us some, so it really -- it has a huge execution cost attached to it. Nevertheless -- and those are both significant minuses, and they're both things that people generally don't think about.

We did go over recently, for example, in Delta Airlines, that was actually an accident, but I don't mind the fact at all that we did. And if the Federal Reserve changes its approach, we won't have to trim down below that. We don't want to become a bank holding company and we don't want to -- we went in many years ago and got permission with Wells, but then our permission expired, and we went in again a few -- a couple years ago. And we spent a year or so, and there were just a million questions that Wells got asked about us and so on. So, it's been a deterrent. It'll be less of a deterrent in the future, but it does have those two -- the short-swing thing is less onerous to us than it would be to most people who buy and sell stocks, because we don't really think in terms of doing much.

A - Charles Munger {BIO 1406508 <GO>}

But if we didn't have all these damn rules, we would cheerfully buy more, wouldn't we?

A - Warren Buffett {BIO 1387055 <GO>}

Sure. Sure. Well, any time we buy we do it cheerfully, but -- yeah. And we will -- you'll probably see us at more than 10% in more things. And if the Fed should change its rules, there will be companies where we drift up over 10% simply because they're repurchasing their shares. That's been the case with Wells, and it's been the case with an airline or two in the last year or so. So, if we like 9.5% of a company, we'd like 15% better, and you may see us behave a little differently on that in the future.

A - Charles Munger {BIO 1406508 <GO>}

Well, one more awkward disadvantage of being extremely rich.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. And it really is. Yeah. And people following you. I mean, the followers problem can be a real problem.

Okay. Station six.

Q - Unidentified Participant

Hi. I'm Jeff Malloy from San Francisco. And this is my first shareholders meeting. Mr. Buffett and Mr. Munger, I'm 27 years old and aspire to be a great money manager like you two one day. I'm considering starting my own investment fund, but I also recognize that I am young and have a lot to learn. My question to both of you is, how did you know you were ready to manage other people's money? And what general advice would you give to someone in my shoes? Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

Well, that's a very interesting question, because I've faced that. And I sold securities for a while, but in May of 1956, I had a number of members of my family, I'd come back from New York, and they wanted me to help them out with stocks as I had earlier before I'd taken a job in New York. And I said, I did not want to get in the stock sales business, but I wanted to -- I enjoyed investing, I was glad to figure out a way to do it, which I did through a partnership form. But I would not have done that, if I thought there was any chance, really, that I would lose the money.

And what I was worried about was not how I would behave, but how they would behave, because I needed people who were in sync with me. So, when we sat down for dinner in May of 1956 with seven people who either were related to me, or one was a roommate in college and his mother. And I showed them the partnership agreement, and I said, You don't need to read this. You know, there's no way that I'm doing anything in the agreement that is any way that -- you know, you don't need a lawyer to read it or anything of the sort. But I said, Here are the ground rules as to what I think I can do and how I want to be judged, and if you're in sync with me, I want to manage your money, because I won't worry about the fact that you will panic if the market goes down or somebody tells you to do something different.

So, we have to be on the same page. And if we're on the same page, then I'm not worried about managing your money. And if we aren't on the same page, I don't want to manage your money, because you may be disappointed when I think that things are even better to be investing and so on. So, I don't think you want to manage other people's money until you have a vehicle and can reach the kind of people that will be in sync with you. I think you ought to have your own ground rules as to what your expectations are, when they should you roses and when they should throw bricks at you. And you want to be on the same -- and that's one reason I never -- we didn't reason I never -- we didn't have a single institution in the partnership, because institutions meant committees, and committees meant that...

A - Charles Munger {BIO 1406508 <GO>}

You had some aunts that trusted you.

A - Warren Buffett {BIO 1387055 <GO>}

What's that?

A - Charles Munger {BIO 1406508 <GO>}

You had some aunts who trusted you.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, well, and father-in-law who gave me everything he had in the world. And I didn't mind taking everything he had in the world, as long as he would stick with me and wouldn't get panicked by headlines and that sort of thing. And so, it's enormously important that you don't take people that have expectations of you that you can't meet. And that means you turn down a lot of people. It means you probably start very small, and you get an audited record.

And when you've got the confidence, where if your own parents came to you and they were going to give you all their money, and you were going to invest for them, I think that's the kind of confidence that you'll say, I may not get the best record, but I'll be sure that you get a decent record over time, that's when you're ready to go on it.

A - Charles Munger {BIO 1406508 <GO>}

Let me tell you story that I tell young lawyers who frequently come to me and say, how can I quit practicing law and become a billionaire instead? And so, I say, well, it reminds me of a story they tell about Mozart. A young man came to him, and he said, I want to compose symphonies. I want to talk to you about that. And Mozart said, How old are you? And the man said, Twenty-two. And Mozart said, You're too young to do symphonies. And the guy says, but you were writing symphonies when you were ten years old. He says, Yes, but I wasn't running around asking other people how to do it.

A - Warren Buffett {BIO 1387055 <GO>}

Carol? We wish you well. And we, and actually, we really do, because the fact you asked that sort of a question is to some extent indicative of the fact you got the right attitude going in.

A - Charles Munger {BIO 1406508 <GO>}

It isn't that easy to be a great investor. I don't think we'd have made it.

Q - Carol Loomis {BIO 7137249 <GO>}

This question is from Franz Traumburger of Austria and his son, Leon, who are both Berkshire shareholders. And it's interesting to me that in the years we've been doing this, nobody has ever asked this question, as far as I know. Their question is, Mr. Buffet, I believe it is correct that in its SEC filings -- that is the Securities and Exchange Commission

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-- Berkshire does not have to give information about foreign stocks it holds. Assuming we hold foreign stocks, could you please tell us what our five largest positions are?

A - Warren Buffett {BIO 1387055 <GO>}

No, the fellow wants investment information. We really aren't in the investment information business. We disclose what we have to disclose, but we could set up an investment advisory firm and probably take in a lot of money, but we haven't done it. And we aren't giving away what belongs to our shareholders or nothing. But he's correct that -- I am 99% sure he's correct, and Marc Hamburg correct me but -- from our office but we do not have to report foreign stocks. And we do have -- in certain important countries, there's lower thresholds at which we have to report our holdings as a percentage of the Company stock outstanding. There's lower thresholds than there are in the United States. So in a sense -- in certain stocks. I think when we bought Munich Re stock or bought Tesco stock, or there are certain stocks we've had to report at -- before we would have had to report it United States. But we will never unnecessarily advise if we plan to buy some land some place, if we plan to develop a business, we are not about giving business information that's proprietary to Berkshire. We don't give it unless we're required by law. And he is correct that I am virtually certain that we do not have to report our foreign stocks to -- on the SEC filings. And he'll have to find his own holdings in Austria. But I think his Mozart story may have encouraged that particular question from Austria, what stocks we are going to own in Austria.

Okay. Charlie, do you have any comments on that?

A - Charles Munger {BIO 1406508 <GO>}

No.

A - Warren Buffett {BIO 1387055 <GO>}

No, I didn't think you would.

Jonny?

Q - Jonathan Brandt {BIO 17988091 <GO>}

Precision Castparts' pre-tax profit margins, while perfectly fine relative to American industry as a whole, continue to be almost 10 percentage points below where they were in the years preceding the acquisition. And I'm guessing they're lower than contemplated when the purchase price was determined. The annual report hints that unplanned shutdowns, the learning curve on new plane models and a shift of oil and gas capacity to aerospace, might all be temporarily depressing margins. But it's unclear what a reasonable long-term margin expectation is for this unit. I know you won't want to issue a specific margin target or forecast, but I do have a question that I hope you can answer. Is the downward trend in earnings since 2015 mostly due to these transitory items or have the competitive structure of the industry and Precision's relationship with its customers changed to the point that meaningful increases from current margin levels are probably unlikely?

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A - Warren Buffett {BIO 1387055 <GO>}

Yeah. Your prelude is quite correct. I mean, they are below what we projected a few years ago. And my expectation -- but I would have told you this a year ago -- and they have grown -- improved somewhat. My expectation is, based on the contracts we have and the fact that initial -- the initial years in anything in the aircraft industry, for example, tend to be less profitable as you go further down the learning curve and the volume curve, tend to be lower in the near-term. My expectation is that the earnings of Precision will improve fairly significantly. And I think I mentioned maybe to you last year, in those earnings, there is about \$400 million a year of purchase amortization, which are economic earnings in our -- in my view point. So -- but even including that \$400 million a year, which they would be reporting if they were independent, and we don't report, because we bought them and there's a purchase amortization charge. Even without that, they are below what I would anticipate by a fair margin within a year or two. That's the present expectation on my part.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

No, I don't have anything.

A - Warren Buffett {BIO 1387055 <GO>}

You'll have that question for me next year, and I think I'll be giving you a different answer.

Okay. Station seven.

Q - Unidentified Participant

Good morning, Mr. Buffett, Mr. Munger. My name is JC. I am a 11 years old and I come from China. This is my second year at the meeting. Mr. Munger, it's great to see you again after the Daily Journal meeting in February. Mr. Buffett, you mentioned that the older you get, the more you understood about human nature. Could you elaborate more about what you've learned and how can the differences of human nature help you make a better investment? I would also like Mr. Munger to comment on that, please.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah.

Q - Unidentified Participant

Thank you very much.

A - Warren Buffett {BIO 1387055 <GO>}

You should wait for Charlie's answer because he's even older. He can tell you more about being old than I can even. The -- it's absolutely true that virtually any yardstick you use, I'm going downhill. And if I would take an SAT test now, and you could compare it to a score of when I was in my early 20s, I think it'd be quite embarrassing. And Charlie and I can give you a lot of examples, and there's others we won't tell you about how things decline as

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you get older. But I would say this, it's absolutely true in my view that you can and should understand human behavior better as you do get older. You just have more experience with it. And I don't think you can read -- Charlie and I read every book we could on every subject we were interested in, you know, when we were very young. And we learned an enormous amount just from studying the lives of other people.

And -- but I don't think you can really get to be an expert on human behavior at all by reading books, no matter what your IQ is, no matter who the teacher is. And I think that you really do learn a lot about human behavior. Sometimes you have to learn it by having multiple experiences. I actually think I, despite all the other shortcomings -- and I can't do mental arithmetic as fast as I used to, and I can't read as fast as I used to.

But I do think that I know a lot more about human behavior than I did when I was 25 or 30.

A - Charles Munger {BIO 1406508 <GO>}

I'll give you -- do you want one mantra? It comes from a Chinese gentleman who just died, Lee Kuan Yew, who was the greatest nation builder probably that ever lived in the history of the world. And he said one thing over and over and over again all his life. Figure out what works, and do it. If you just go at life with that simple philosophy from your own national group, you will find it works wonderfully well. Figure out what works, and do it.

A - Warren Buffett {BIO 1387055 <GO>}

And figuring out what works means figuring out how other people...

A - Charles Munger {BIO 1406508 <GO>}

Of course.

A - Warren Buffett {BIO 1387055 <GO>}

...behave. And Charlie and I have seen the extremes in human behavior, in so many unexpected ways.

A - Charles Munger {BIO 1406508 <GO>}

Now we get it every night, extremes in human behavior. All you got to do is turn on the television.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah. I'm glad he used that example. Okay, Becky.

Q - Becky Quick {BIO 16400962 <GO>}

Warren, you mentioned, in response to an earlier question, that Ajit and Greg are both here to answer questions, and so I thought I'd ask this question that comes from Will in Seattle. He says, his question is for Mr. Ajit Jain and Mr. Warren Buffet. You have said that you communicate regularly about unconventional insurance contracts that expose the

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company to extremely unlikely, but highly costly events. I'm curious about how you think about and safely price these unconventional insurance contracts. What analysis and mental checks do you run through your head to make sure that Berkshire Hathaway will profit without being unduly exposed to catastrophic risk?

Furthermore, Mr. Buffett, would you want a future CEO to continue a similarly close collaboration with the chief underwriter?

A - Warren Buffett {BIO 1387055 <GO>}

We will get a microphone to Ajit and a spotlight in just a second. And there he is. Ajit, why don't you answer first, if you'd like to?

A - Ajit Jain {BIO 3192279 <GO>}

Hi. Obviously, the starting point, I mean, these situations where there's not enough risk -- not enough data to hang your hat on, it's more of an art than a science. We start off with as much science as we can use, looking at historical data that relates to the risk in particular or something that comes close to relating to the risk that we're looking at.

And then beyond that, if there's not enough historical data we can look at, then clearly, we have to make a judgment in terms of what are the odds of something like that happening. We try -- we absolutely, in situations like that, we absolutely make sure we cap our exposure. So that if something bad happens or we've got something wrong, we absolutely know that how much money we can lose and whether we can absorb that loss without much pain to the income statement or the balance sheet.

In terms of art, it's a difficult situation, more often than not, it's impossible to have a point of view and we end up passing on it. But every now and then we think we can get a price where subjective odds we have of something like that happening has a significant margin of safety in it. So we feel it's a risk that's worth taking.

Then finally, the absolute acid test is, I pick up the phone and call Warren. Warren, here's the deal. What do you think?

Okay. Your turn, Warren.

A - Warren Buffett {BIO 1387055 <GO>}

Okay.

A - Charles Munger {BIO 1406508 <GO>}

It's not easy, and you wouldn't want just anybody doing it for you.

A - Warren Buffett {BIO 1387055 <GO>}

No. No. In fact, the only one I would want doing it for us on the kind of things we have sometimes received is Ajit. I mean, it's that simple. There isn't anybody like him. And as

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Ajit said, we'll look at a worst case, but we are willing, if we like the odds and like you say, there's no way to look these up. We can tell you how many 6.0 or greater earthquakes have happened in the last 100 years in Alaska or California or so on. In California so on and there's a lot of things you can look up figures on them. Sometimes those are useful and sometimes [ph]error . But there's a lot where you get a lot of data. And then there's others that well after [ph]911 was that going to be the first of several other attacks that were going to happen very quickly. There were planes flying that couldn't look like couldn't land in Hong Kong as I remember I think it was [ph]Cathay Pacific couldn't land in Hong Kong the following Monday. Unless they had a big liability coverage placed with somebody.

I mean the world had to go on. The people that held mortgages and the [ph]Sears Tower and all of a sudden wanted the coverage. I think that actually was one. But there were just pouring in -- people that hadn't been worried about something a week earlier and now they were worried about things involving huge sums. And there were really only a couple of people in the world that would even listen and had the capacity to take on a lot of the deals we were proposed.

And there's no book to look up. So you do there's a big element of judgment. Ajit and I mean Ajit's a hundred times better at this than I am. But we do tend to think alike on this sort of thing you don't want to think too much alike. But we think like I've got a willingness to lose a lot of money and most well virtually every insurance company if they get up to higher limits they've got treaties in place and they can only take this much and they -- so the world was paralyzed on that. We don't -- now obviously but we do occasionally get. [ph]inquiries about doing things that really nobody else in them the world can do.

It's a little like our investment situation only transferred over the insurance. We don't build the business around it but we are ready when the time comes. And Ajit is an asset that no other company in the world has and we work and we actually enjoy a lot of talking to each other about these kind of risks because he'll asked me to think about what the price should be and he'll think about we don't tell each (inaudible)and then I'll name it and then he'll say Have you lost your mind Warren? And then I'll point something out to me that I've overlooked and it's a lot of fun and it's made us a lot of money. And the shareholders of Berkshire Hathaway are extraordinarily lucky. You can't hire people like Ajit. I mean, you get them once in a lifetime. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I don't think we helped him very much. It's really difficult.

A - Warren Buffett {BIO 1387055 <GO>}

There will be a time when -- I mean, I probably won't be around then -- but there will be a time occasionally, just like in financial markets, when things are happening in the insurance world and basically Berkshire will be the only one -- virtually the only one -- people turn to.

A - Charles Munger {BIO 1406508 <GO>}

But in the past, Ajit, talking to you, has added more than \$50 billion to the balance sheet at Berkshire, by making these oddball calls.

A - Warren Buffett {BIO 1387055 <GO>}

And if he hadn't talked to me, it'd be probably 49.9 billion, you know? But you don't want to try -- don't try this at home.

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A - Charles Munger {BIO 1406508 <GO>}

Yeah, and this is that doesn't mean it's easy.

A - Warren Buffett {BIO 1387055 <GO>}

No. And it's not very teachable.

A - Charles Munger {BIO 1406508 <GO>}

No, it isn't very teachable, you're right.

A - Warren Buffett {BIO 1387055 <GO>}

No, it is not something that Berkshire has some secret formula someplace for it. It basically is a very unusual talent with Ajit, and...

A - Charles Munger {BIO 1406508 <GO>}

We're not holding anything back. It's hard.

A - Warren Buffett {BIO 1387055 <GO>}

Okay, Jay?

Q - Jay Gelb {BIO 21247396 <GO>}

This question is on Berkshire's relationship with 3G Capital. Kraft Heinz's recent challenges have raised questions about whether Berkshire's partnership with 3G has become a weakness for Berkshire. Warren, what are your thoughts on this? And would Berkshire be open to partnering again with 3G in a major acquisition?

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, they are our partners, and we joined them. We had a one-page agreement, which I haven't even actually ever reread. I mean, Jorge Paulo, I mean, is a good friend of mine. I think he's a marvelous human being. And I'm pleased that we are partners. It's conceivable that something would come up. They have more of a taste for leverage than we do, and they probably have more of a taste for paying up, but they also are in certain types of situations, they'd be way better operators than we would. I mean, they go into situations that need improvement, and they have improved them. But I think both they and we, I know we did underestimate, not what the consumer is doing so much, but what the retailer is. And at See's Candy, we sell directly to the consumer by the Kraft Heinz,

they're intermediaries. And the quest -- and those intermediaries are trying to make money, we're trying to make money. And the brand is our protection against the intermediaries making all the money. Costco tried to drop Coca-Cola back in, I think 2008, and you can't drop Coca-Cola, and not disappoint a lot of customers.

Snickers bars are the number one candy that Mars makes them, and they've been number one, I think for 30 or 40 years. And if you walk into a drugstore, and the guy says, I've got the snickers are \$0.75 or whatever it might be and I've got this special little bar we make -- my wife and I make in the back of the store and it's only \$0.50 and it's just as good. You know buy it. When you're at some other place the next time, you buy the Snickers bar.

So brands aren't -- can be enormously valuable. But many of the brands are dependent. Most of them -- GEICO is not, GEICO goes directly to the consumer. If we save the consumer money on insurance, they're going to buy it from us. And our brand -- and we'll spend well over a \$1.5 billion on advertising this year and you think, my God, we started this in 1936 and we were saying the same thing then about saving 15% in 15 minutes or something of the sort, not exactly the same but that brand is huge. And we have to come through on the promise we give, which is to save people significant money on insurance. A great many people. That brand is huge, and we're dealing directly with the consumer.

And when you're selling Kool-Aid or ketchup or Heinz 57 sauce or something, you are going through a channel and they would -- I guess, the phrase was used earlier today. Our gross margin is their opportunity and we think that the ultimate consumer is going to force them to have our product and that we will get the gross margin. And that fight, that tension, has increased in the last five years and I think is likely to increase the next five or 10 years. And Charlie is a director of a company that has caused me to think a lot about that subject. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well. What I think is interesting about the 3G situation, it was a long series of transactions that worked very well, and finally there was one transaction at the end that didn't work so well. That is a very normal outcome of success in a big place with a lot of young men who want to get rich quick. And it just happens again and again. And you do want to be careful. It's so much easier to take the good ideas and push them to wretched excess.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, that is -- no idea is good at any price, and the price settlement is probably something that we worry more about generally than our partners, but we are their partners in Kraft Heinz. And it's not at all inconceivable that we could be partners in some other transaction in the future. Okay. Station eight.

Q - Unidentified Participant

Hello Warren and Charlie. Consumer tastes are changing. I think if we asked how many people here in the arena have eaten Velveeta cheese in the last year or so, there'd be only a small handful, maybe more for Jell-O. 3G's playbook of cutting R&D looks to have

stifled new product development amidst changing preferences. So, here's my question. Why continue to hold when the moat appears to be dry? Or do you think it is filling back up?

A - Charles Munger {BIO 1406508 <GO>}

Well, I don't think the problem was that they cut research or something. I think the problem was, they paid a little too much for the last acquisition.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, Jell-O -- I can't give you the exact figures. There are certain brands that may be declining 2% a year or 3% a year in unit sales, and there's others that are growing 1 or 2%. There's not dramatic changes taking place at all. I mean, Kraft Heinz is earning more money than Kraft and Heinz were earning six or seven years ago. I mean, and the products are being used in a huge way. Now it's true that certain -- that there are always trends going to some degree, but they have not fallen apart, remotely. And they have widened the margin somewhat, but it is tougher in terms of the margin and the price negotiations, probably to go through the -- to the actual consumer. That's become a somewhat more tougher passageway for all food companies than it was 10 years ago. It's still a terrific business. I mean, you mentioned Jell-O or Velveeta. Charlie worked at my grandfather's grocery store in 1940, I worked there in 1941. And if -- they were buying those products then, they buy the products now. The margins are still very good. They earn terrific returns on invested capital. But we pay too much in the case of Kraft. You can pay too much for a growing brand. I mean, you can pay way too much for a growing brand, probably be easier to be sucked into that. So I don't -- I basically don't worry about the brands. A certain number are very strong, and certain number are declining a bit. But that was the case 10 years ago. It will be the case 10 years from now. There's nothing dramatic happening in that.

Okay. We'll take one more and then we'll break for lunch. Andrew?

Q - Andrew Ross Sorkin {BIO 6340618 <GO>}

Thank you, Warren. Question on technology and the Company's biggest holding now. Given that Apple is now our largest holding, tell us more about your thinking. What do you think about the regulatory challenges the Company faces, for example? Spotify has filed a complaint against Apple in Europe on antitrust grounds. Elizabeth Warren has proposed ending Apple's control over the App Store, which would impact the Company's strategy to increase its services businesses. Are these criticisms fair?

A - Warren Buffett {BIO 1387055 <GO>}

Well, again, we're not -- I will tell you that all of the things, the points you've made I'm aware of and I like our Apple holdings very much. I mean, it is our largest holdings. And actually what hurts in the case of Apple is that, the stock has gone up, and we'd much rather have the stock and I'm not proposing anything be done about it but we'd much rather have the stock at a lower price, so we could buy more stock. And importantly, if Apple -- I mean, they authored another -- authorized another \$75 billion the other day, but let's say they're going to spend \$100 billion in buying in their stock in the next three years.

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It's very simple, if they buy it at \$200 million, they're going to get 500 million shares. They've got \$4,600 million out now. And so, they'll end up with \$4.1 billion under that circumstance. They're buying it at \$150 million, they buy in 667 million shares. And instead of owning what we would own in the first case, we'd now -- the divisor would be less than \$4 billion and we'd own a greater percentage of it.

So, in effect, a major portion of earnings -- at least possibly, it's at least been authorized -- will be spent in terms of increasing our ownership without us paying out a dime, which I love for a wonderful business. The recent development, when the stock has moved up substantially, actually hurts Berkshire over time. We'll still do -- In my opinion, we'll do fine, but we're not going to get into -- we're not going to dissect our expectations about Apple, you know, for people who may be buying it against us tomorrow or something to start with. We don't give away investment advice on that for nothing. But we have-- all the things you've mentioned, obviously we know about, we've got a whole bunch of other variables that we crank into it. And we like the fact that it's our largest holding. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, in my family, the people who have Apple phones, it's the last thing they'll give up. (Laughter). And the other thing we won't give up is lunch, and we'll now adjourn and we'll reconvene at 1'o clock thereabout, obviously a little later.

Operator

Well there you have it, the shareholders meeting as Warren Buffett just said, taking a break for lunch and we're going to take over now. Joining us to analyze the morning Q&A session we have with us Whitney Tilson, Empire Financial Research CEO. Professor, Robert Johnson from the Heider College of Business here in Omaha, and also with us Julia LaRoche, Javier David [ph] and Myles Udland joining us as well.

A - Unidentified Speaker

Coming up shortly, we'll speak with prominent investor.

A - Ajit Jain {BIO 3192279 <GO>}

no stumbling, they're just sharp as ever. So that was great to see. Getting better with age. Sounds good to me.

Q - Unidentified Participant

Sounds great to me. And more to come I mean they're coming back for the second session.

A - Unidentified Speaker

Yeah, we're only halfway through.

Q - Unidentified Participant

Lion share. What stood out to you in this I mean so many topics of conversation as Whitney said just really running the game at this morning.

A - Unidentified Speaker

Well to build on what Whitney said, I think that one of the big questions in this hall is succession. And I think they subtly answered that question today by talking about and constantly praising the team that Warren and Charlie have assembled. There are a lot of people in that room that can't read an income statement, can't read a balance sheet but they can learn a lot from Warren and Charlie about the way you treat people. And they constantly praise the team that they put together. How many times did you hear the name Ajit Jain, Gregg Abel, Ted Weschler, Todd Combs constantly. And that's very reassuring. And what people can take away from that for their normal work is the way you treat people, you hire good people you support them you get out of their way and you let them do their job and that's what Warren and Charlie have done and we were talking earlier Andy his Warren and EQ is I believe higher than his IQ.

Q - Unidentified Participant

Yeah I agree with that. And I think it's under recognized by people they just think he's a smart guy. His people skills are off the charts. And for people around him who know that I think it's so important and you see that it sort of carry through these 40,000 plus people who are here this weekend.

A - Gregory Abel {BIO 1416724 <GO>}

Well, while we're on the topic of secession both of you let me throw this question out to both of you. Warren Buffett is sort of a larger than life figure at this point, he's mythic. He's closely associated if not inextricably so to the name Berkshire Hathaway. So when we talk about who comes next or what comes after. Maybe you can do this for another 10 years or so who knows. But will that person sort of have that same cash, that same reassurance or carry that reassurance for investors and shareholders for the markets. How do you kind of step into -- that's a pretty big shoe to fill. You don't replace Warren Buffett. It's just like -- a sports fan who's going to follow Tom Brady, right? But it will be different, but the culture they've built is a wonderful culture. And Berkshire is forever will be different when Warren Buffett is no longer here.

Q - Unidentified Participant

Talking about that sports thing, right. And you talk about Tom Brady I would look at the San Antonio Spurs, right. And the way they have made that team great for so many years with different personnel. And that's truly amazing he speaks to Gregg Popovich for instance. But you always have people that are carrying the culture forward.

A - Unidentified Speaker

I mean maybe look when Apple when Steve Jobs passed away the stock didn't go down even though he

Q - Unidentified Participant

the announcement came actually only six weeks before he passed away. And look at what the stock has done since then. So, if there's an incredibly positive virtuous fly we owe here at Berkshire, the loss of Buffett will introduce some degree of uncertainty. And if I thought, he was in the last year or two of running Berkshire, I'd be more worried about it than I am -- I just did an actuarial table online and made up some of the answers, but answered as best I could the information I had about Warren Buffett about leading a relatively stress-free life. And he's trying to improve his diet, doing a little bit of exercise and it came back and said he's going to live to 101.

A - Unidentified Speaker

Okay.

Q - Unidentified Participant

So I think we've easily got another five years, if not, 10 with Buffett running this organization. So, I think talk of his demise is a little premature. And you mentioned Apple, Whitney [ph], and of course, there's a lot of talk about these new stocks he owns. The last question was about Apple and he talked about that a lot. He talks about Amazon a lot too, there are a number of questions about Amazon. And so, let's listen to what Warren Buffett had to say about Amazon.

A - Warren Buffett {BIO 1387055 <GO>}

I can assure you that both managers who -- and one of them bought some Amazon stock in the last quarter, which will get reported in another week or 10 days. He is a value investor. The idea that value is somehow connected to book value or low price earnings ratios or anything. As Charlie has said, all investing is value investing. I mean, you're putting out some money now to get more later on and you're making a calculation as to the probabilities of getting that money and when you'll get it and what interest rates will be in between and all the same calculation goes into it whether you're buying some bank at 70% of book value or you're buying Amazon at some very high multiple reported earnings.

Amazon, the people making the decision on Amazon are absolutely much value investors as I was when I was looking around for all these things selling below working capital years ago. So, that has not changed. Now we just learned, of course, about this investment in Amazon. Jeff Bezos is not here this year. Maybe he'll be here next year.

Q - Unidentified Participant

But Tim Cook is in house. You're a value investor. Yeah. What do you think about this argument that all investing is value investing and that value play is something, like Amazon. Do you buy that? I do. I've been pounding the table on Amazon, Google and Facebook actually for the past couple of years. So I am delighted to see that they've added Amazon into the portfolio. I actually like it a little bit better than Apple, which is I think it's a -- getting back to my other point that Buffett is getting better with age. What was his first big foray and attack? IBM, which is just a horrible value trap. He recognized that mistake. It took a few years, but got out of that and got into a--

Q - Gregg Warren {BIO 18090759 <GO>}

Good morning, Charlie. I have a follow up on the railroad business. By nearly all measures, BNSF had a solid year in 2018, full-year revenue growth of 11.5%, was better than the 7.5% top line growth at Union Pacific, which is BNSF's largest direct competitor came up with, with Burlington Northern seeing both larger increases in average revenue per car unit and total volumes than its closest peer. Even so, Burlington Northern once again fell short of Union Pacific when it came to profitability, with its operating ratio declining 130 basis points to 66.9%, while Union Pacific's ratio fell only to 120 basis points to 62.7%, further cementing the spread that exists between the two companies' margins, at more than 400 basis points.

Can you explain what is driving the difference in profitability between Burlington Northern and Union Pacific, as theoretically we should not see that wide of a spread between two similar-sized companies that are basically competing for the same business with the same customers in the western half of the United States. And while you noted that Burlington Northern is in a wait and see mode with regards to precision-schedule railroading, we've kind of heard the same line historically with regards to GEICO's approach to telematics. And what worries me here is that the potential now exists for a much wider gap to emerge between profitability levels at Burlington Northern and Union Pacific, which has recently adopted a version of PSR, some of which Union Pacific could eventually use to get more price competitive.

A - Charles Munger {BIO 1406508 <GO>}

Well, Warren knows the answer better than I do. My guess is they work a little harder than we do at building the rates. But Warren, you answer that one.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, well, it's true that we receive the lowest ton mile revenue of any of the six big railroads in North America and there's some explanation for that, obviously, significant explanation in the particular types of hauls we have and that sort of thing we do have longer haul generally. But the answer, Union Pacific's profit margin, they talk about operating ratios but that goes back to the Interstate Commerce Commission. There's really profit margin, pre-tax, pre-interest profit margin and the Union Pacific at one time probably 15 or maybe a little more years ago, they really went off the tracks, so to speak but they've done a very good job of getting -- well they got a lot of underpriced coal contracts worked out as did we, but they've also -- they've done a very good job on expenses and there's no fundamental reason why the BNSF franchise, I always liked the western railroads better than the eastern -- not by a dramatic margin, but -- I think the western will do better in terms of ton miles over time than the eastern roads. And we've got some great routes -- some of which were underwater in March for a while and we pay a lot of attention to what's going on at the Union Pacific because we should, and -- the future, it's not like we're losing business to anybody, but we -- they've been operating that more efficiently in effect than we have during the last few years and like I say we take notice of that. They've cut a lot of people, I mean right here at Omaha and we'll see what that does in terms of passengers -- or in terms of shipper satisfaction. But we are measuring ourselves very carefully against what they do and if changes are needed, we'll do them. So we've got a wonderful asset in that business. And when I bought it, I said it's

for a 100 years, it's for a lot more than a 100 years. It is a very, very fundamental business, and we've got a wonderful franchise, and we should have margins comparable to other railroads. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I don't know much about it.

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A - Warren Buffett {BIO 1387055 <GO>}

You don't? Station 9.

Q - Rob Lee {BIO 1495505 <GO>}

Hi Warren and Charlie. My name is Rob Lee from Vancouver, Canada. Could you please share with us, what do you value the most in life now? Thank you.

A - Charles Munger {BIO 1406508 <GO>}

Well, I like to have a little more of it.

A - Warren Buffett {BIO 1387055 <GO>}

It's the two things you can't buy, time and love. And that, I value those for a long time. And I've been very -- very lucky in life, and being able to control my own time to an extreme degree. Charlie's always valued that, too. That's why we really wanted to have money, was so we could do what we damn pleased, basically in our life. It wasn't six houses or boats or anything. Well, Charlie's got a boat. But it doesn't do us that much good. But time is valuable and that's -- and we are very, very lucky to be in jobs where physical ability doesn't make any difference. We've got the perfect job for a couple of guys with aging bodies, and we get to do what we love to do every day. I mean, I literally -- I could do anything that money could buy pretty much and I'm having more fun doing what I do than doing anything else, and Charlie is designing dormitories. And I mean, he's got an interesting life, and he brings a lot to it. He still reads more books in a week than I get done in a month, and he remembers what he reads. And so we've got it very good, but we don't have unlimited time, and whatever we do to free up the time to do what we like to do and we both maximize that in our lives -- we do.

A - Charles Munger {BIO 1406508 <GO>}

Anybody's lucky if he gets, -- where he spends his time at, he really likes doing. That's a blessing.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, we've had so much good luck in life. It sort of blows your mind, starting with being born in the United States and Canada would be fine too, incidentally I don't want to offend anybody. Okay. Carol?

Q - Carol Loomis {BIO 7137249 <GO>}

This question is from Brian Neal, who writes from the Mayo Clinic education site. Berkshire owns approximately \$200 billion in publicly-traded stocks. I appreciate the disclosure of Berkshire's holdings. But I am disappointed by the lack of specific performance information. Since investing in publicly owned stocks is so much a part of Berkshire's business, why do you not tell us every year how our portfolio performed?

A - Warren Buffett {BIO 1387055 <GO>}

Well, obviously it could be calculated fairly easily, and it's about 40% of Berkshire's value, but 60% is the businesses. And if you look at the Top 10 stocks I would guess, you're down to where beyond those 10 stocks you're talking about less than probably less than 10% of Berkshire's value. So I -- again we -- we're not in the business of explaining why we own a stock. We're not looking for people to compete to buy it. We have a portfolio of companies, where I would say that of that 200 billion or so, at least 150 billion of them are buying in their stock and increasing our interest every year. And why in the world should we want to tell a whole bunch of people to go out and buy those stocks, so that we end up paying for the company on our behalf ends up paying more money for them. I mean -- people get very happy when their stocks go up, but if we're going to own whatever -- whether it's Bank of America, whether it's Apple, whether it's any of the big holdings, we will do considerably better in the next 10 years if their stocks do terribly during certain periods and that they buy lots of stock and that's just exactly like buying it ourselves except we're using their -- they are using our money. But it's all elementary, and why in the world would we want to go out and tell the world that these stocks should go up. So that maybe they can sell or something when it costs us money, and we're not going to be able to move in and out of the stocks to our advantage.

So -- our holdings are filed quarterly, our domestic holdings, that I was pointed out earlier filed, quarterly but we are, -- we would rather not tell the world what we own anymore, than we'd like to tell them what our strategy is at NetJets or what we're going to at Lubrizol and what we're working on in the way of better advances in additives or whatever it may be or where we plan to build a new store for the Furniture Mart or something. That's proprietary information and we have to disclose a certain amount, but we're certainly not going to be touting those stocks to, --. In terms of calculating our performance, you can take the Top 10 or 12 stocks and anybody can make the calculation, I mean, at the end of the year that Wall Street Journal runs all the papers, runs something where it says a year-to-date performance or something of the sort, so that's a simple calculation.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I've got nothing to add to that.

A - Warren Buffett {BIO 1387055 <GO>}

Okay. Jonathan.

Q - Jonathan Brandt {BIO 17988091 <GO>}

No one's ever asked the question about flight safety. But perhaps this year is somewhat topical given the 737 MAX controversy. The New York Times spoke to engineers who said that Boeing explicitly designed the MAX in a manner that allowed airline customers to avoid for simulators to train their pilots. Do you expect the worldwide regulatory and commercial response to the MAX's problems to result in increased demand for FlightSafety simulators? And could you please more generally discuss FlightSafety's competitive position and growth prospects?

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A - Warren Buffett {BIO 1387055 <GO>}

Yes, well, FlightSafety is -- their specialty would be with corporate pilots. They train our NetJets pilots, for example. They have a major facility with simulators for that. I don't think what's happened with the 737 MAX will have any particular effect. I mean, we have -- I don't know how many of the Fortune 100 companies that we do business with, but it's a very significant percentage. And they train their pilots with FlightSafety because we've got the talent and the simulators like nobody else has for that business.

And Charlie, might -- didn't you have that friend of yours was trying to get Al Ueltschi to pass him when he shouldn't?

A - Charles Munger {BIO 1406508 <GO>}

What?

A - Warren Buffett {BIO 1387055 <GO>}

You remember that story of your friend that wanted to have FlightSafety?

A - Charles Munger {BIO 1406508 <GO>}

Oh yes.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, why don't you tell them? I mean, Al Ueltschi, who started FlightSafety with a few thousand dollars and a little visual simulator, or whatever it may have been at, LaGuardia, I mean, he really cared about saving all lives. And he made a lot of money in the process, but he was dedicated throughout his lifetime to truly train better pilots and reduce the chance of accidents dramatically. It was a mission with him. And that spirit so continues. And as I say, we've got a -- I can't tell you the percentages, I don't know, but I know it's very high -- of certainly the corporate business. We have government business, we have some airline businesses and all of that. But I don't expect any great change in the flight training business. But tell them about your friend, Charlie.

A - Charles Munger {BIO 1406508 <GO>}

Well, of course, people pass those tests with flying colors, and they somehow just barely pass. And one of my friends just barely passed and they called me and told me. It's (inaudible) of the business.

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A - Warren Buffett {BIO 1387055 <GO>}

FlightSafety would not --

A - Charles Munger {BIO 1406508 <GO>}

They care about everything.

A - Warren Buffett {BIO 1387055 <GO>}

They care.

A - Charles Munger {BIO 1406508 <GO>}

They watch the details.

A - Warren Buffett {BIO 1387055 <GO>}

They care -- and those simulators can cost over \$10 million, I mean, just -- and they're dedicated, obviously, to a given model of plane. You might find it interesting at NetJets. At NetJets, our pilots only fly one model. I mean -- most charters and all those, I'm sure they -- and incidentally, I think they could fly other models and all that, but we just want them to be flying one model. And we give them the maximum amount of training annually. And it's -- when I bought the company for Berkshire in, I think it was 1998 or thereabouts, the thought obviously bothered me that I would have a significant percentage of people who would be friends of mine that were using it, and you'd hate to have anything happen. I use it, my family uses it, our managers use it. And there's nobody that cares more about safety. But I don't see other than at NetJets, it's a first-class operation.

A - Charles Munger {BIO 1406508 <GO>}

They've never killed a passenger. They had one pilot who hit a glider at 16,000 feet, and it was kind of a difficult landing.

A - Warren Buffett {BIO 1387055 <GO>}

It was more than difficult landing

A - Charles Munger {BIO 1406508 <GO>}

They've never killed a -- it was a woman pilot, yes.

A - Warren Buffett {BIO 1387055 <GO>}

And she was flying the next day. The co-pilot was kind of taken out of operation for a while. But this woman ended up almost with the control panel in her lap because this guy turned off his battery and hit one of our Hawkers. And she had one shot at the runway and she brought it in. And we've had some remarkable training and pilots there. You should ask for her if you're flying on NetJets. Station 10.

Q - Daphne {BIO 18992340 <GO>}

Mr. Buffet and Mr. Munger. Hi, my name is Daphne. I'm from New York and I'm nine years old. And I'm excited to be at the Berkshire meeting, and this is my third year.

A - Warren Buffett {BIO 1387055 <GO>}

Wow. You should be rich by now.

Q - Daphne {BIO 18992340 <GO>}

You have often said that investors are well-served by identifying businesses with a wide moat, where the castle behind the moat is run by a king or queen who can be trusted to make good decisions? In the past, you have applied this advice by investing in businesses with world-class strong brands, such as Coke, American Express, and See's, as well as media companies that has helped these brands protect and widen their moats such as Cap Cities, ABC and The Washington Post. In the past, you have also generally avoided investing in technology companies pointing out how quickly technology changes and how hard it is to build a circle of confidence in it. Today, we seem to be in a world where some of the most dominant companies in the world are technology companies and we have built powerful platforms such as Amazon, Google, Facebook. and Microsoft in America, and Alibaba and Tencent in China. These companies all have wide moats, strong brands and are led by brilliant entrepreneurs.

A - Warren Buffett {BIO 1387055 <GO>}

That's good.

Q - Daphne {BIO 18992340 <GO>}

My question to you is this: if Berkshire is to honor its tradition of investing in wide moats and strong brands, and especially in companies that are also capital efficient, do you think that Berkshire needs to expand its investing lengths to include more of these leading technology platforms? In other words, do you believe that you need to adapt your model of wide moats and strong brands to embrace, not avoid technology?

A - Warren Buffett {BIO 1387055 <GO>}

I think the answer is, maybe. I think the answer is to put her on the board and it'll bring down the average age enormously. We won't get criticized as much. You're exactly right, in that we do like moats, and we used to be able to identify them in a newspaper that was the only newspaper in town, or in TV stations where we felt the dominant positions, we felt the product was underpriced in terms of advertising. We saw it in brands, sometimes. And it is true that in the tech world, if you can build a moat, it can be incredibly valuable. I've not felt the confidence that I was the best one to judge that in many cases. It was't hard to figure out who was winning at any given time or what their business was about -- but there were a huge number of people that knew more about the game than I did. And we don't want to try and win at a game we don't understand. We may hire people, such as Ted and Todd, that are better at understanding certain areas of investing than I am, or maybe even Charlie is. But the principles haven't changed. You're right that some of the old ones have lost their moat and you're right that there are going to be companies in the future that have them that will be enormously valuable. And we hope we can identify one every now and then. But we won't -- we'll still stay within where we think

we know what we're doing. And obviously, we'll make mistakes even within that area. But we won't go into something because somebody else tells us it's a good thing to do. I mean, we are not going to subcontract your money to somebody else's judgment. You can take your money and follow somebody else's judgment, but we're not in the business of thinking that if we hire 10 people with specialties in this area or that, that it will lead to superior investment results. And we do worry that we may -- we could blow a lot of money that way. So, we'll do our best to enlarge the circle of competence of the people at Berkshire so that we don't miss so many. But we'll miss a lot in the future. We missed a lot in the past. The main thing to do is to find things where our batting average is going to be high. And if we miss the biggest ones, that really doesn't bother us, as long as the things we do with money work out OK. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I think we've still got an awful lot of companies with big moats, and a lot of them are very, and some are industrial brands, that are just incredibly strong in the natures we are in. So -- at Berkshire, shareholders don't need to worry about, we're just one big morass of unprobability or anything like that . But we have not covered ourselves with glory in new fields.

A - Warren Buffett {BIO 1387055 <GO>}

We won't end up all in buggy whips, though, or anything. But it's a very good question, and it's what we focus on all of the time. And I hope.

A - Charles Munger {BIO 1406508 <GO>}

We're trying to improve.

A - Warren Buffett {BIO 1387055 <GO>}

And we hope we see you back here for your fourth next year. Becky?

Q - Unidentified Participant

This question comes from Stuart Boyd, who is a chemical engineer from Australia. He says, currently Berkshire would be incredibly difficult for an activist investor to target, because number one, Warren, your ownership stake is large. Number two, shareholders appreciate the business is more valuable operating under the Berkshire umbrella rather than being sold off in pieces. And number three, the size or market capitalization of Berkshire is an entry or entry barrier for most activists investors. Warren and Charlie, after your ownership has been completely distributed, will Berkshire be more vulnerable to activist investors. I'm guessing this isn't something that keeps you up at night but thought it was worth asking.

A - Charles Munger {BIO 1406508 <GO>}

No it's going to have quite a few decades after my death. I don't think --, but right. Well, anything could happen. It's a low probability. It can't happen for a lot of years, in terms of the way my stock gets distributed and in terms of the way other stock is held. But in the end, Berkshire should prove itself over time. I mean, there are no perpetuities, and it

needs to deserve to be continued in its present form. It has a lot of attributes that are maximized by being in one entity, which people don't fully understand. I think if you spin off something that would command a high PE that therefore value has been unlocked, which is totally nonsense. I mean, it's already built in. One day out, you know, you might have an extra 3% or 5% in price, but over the years, we want to keep the wonderful businesses. But eventually, I think the culture will remain one of a kind. I think that we will be able to do things other people can't do. I think that the advantages of having them in one spot will likely be significant over time. And if that happens, then no activist is going to take it over. And if the model doesn't work for some reason over a long period of time, then something else should happen. Charlie? Nothing more.

A - Warren Buffett {BIO 1387055 <GO>}

Okay, Jay.

Q - Jay Gelb {BIO 21247396 <GO>}

This question is on GEICO. Progressive is gaining the most market share among the major auto insurers based on its presence in the direct and independent agency channels, as well as now bundling its auto and homeowners insurance coverage. How does Geico plan on responding to competitive threats so that it can retain its place as the second largest auto insurer. I was hoping we could also hear on this topic from Ajit or GEICO's management. Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

Okay. The progressive is a very, very well-run business. GEICO is a very well-run business. And I think they will, for a long time be the two companies that the rest of the auto insurance industry has trouble not losing share. But there's, you know, I think -- I've always thought for a long, long time, Progressive has been very well run. They have an appetite for growth. Sometimes they copy us a little, sometimes we copy them a little. And I think that'll be true five years from now and 10 years from now. And we sell substantial amounts of homeowners insurance. We have an agency arrangement with that. We were in the business of writing it ourselves, until Hurricane Andrew, when a decision was made -- we didn't control it then -- but the decision was made that the homeowners, essentially, you could lose as much in one year as you made in the previous 25 years. And the float isn't as large. So, we became a company that placed our customers' desire for homeowners with several other large and solid organizations. The big thing is auto insurance. And we grew in the first quarter about 340,000 policies, net, which will look quite good compared to anybody but progressive. And that was quite a bit more than last year, but not as good as two years ago. And the profit margin was in the nine-point area. So, I feel extremely good about GEICO, I mean, what has been built there by Tony and his people is perfect, but I would feel fine -- We don't own any Progressive, but I think that Progressive is an excellent company, and we will watch what they do, and they will watch what we do. And we will see, five years from now or 10 years from now, which one of us passes State Farm first. Charlie? Oh, and Ajit, would you like?

A - Ajit Jain {BIO 3192279 <GO>}

Well, the underwriting profit is really a function of two major variables. One is the expense ratio and the other is the loss ratio, without getting too technical.

GEICO has a significant advantage or progressive when it comes to the expense ratio to the extent of about seven points or so. On the loss ratio side, Progressive does a much better job than GEICO does. They have I think about a 12 point advantage over GEICO. So net-net progressive is ahead by about five points. GEICO is very aware of this disadvantage and the loss ratio that they're suffering and they're very focused on trying to bridge that gap as quickly as they can. They have a few projects in place and sometimes GEICO is ahead of Progressive, right now progressive is ahead of GEICO. But I'm hopeful they'll catch up on the loss ratio side and maintain the expense ratio advantages well. Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

GEICO has gained market share. Essentially I have to look at the figures for sure. But virtually every year since Tony took over. And I would that significant money that -- that GEICO increase it's market share in the next five years. And I think it will for sure. This year and so, it is a terrific business, and Progressive is a terrific business. Well, as Ajit says, we've got the advantage in expenses and we will have an advantage in expenses. And then the question is, are we -- they have a very sophisticated way of pricing business. And the question is whether we have some of that five points back or six points back in terms of loss ratio and we are working very hard at that. But I'm sure they're working very hard to improve their system. So it's a -- to some extent, it's a two horse race and we've got a very good horse.

A - Charles Munger {BIO 1406508 <GO>}

But Warren, in the nature of things, every once in a while, somebody's a little better, at something than we are.

A - Warren Buffett {BIO 1387055 <GO>}

You've noticed.

A - Charles Munger {BIO 1406508 <GO>}

Yes I've noticed.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, I'd settle for second place in the lot of the business. Okay. Station 11.

Q - Unidentified Participant

Mr. Buffett and Mr. Munger thank you for taking my question. My name is Feroz Qayyum and I'm from Mississauga in Canada, and now live in New York. My question is how to best emulate your success in building your circle of competence. Given the environment today in investing is a lot more competitive than when you started out. What would you do differently if anything at all when building your circle. Would you still build a very broad

generalist framework? Or would you build a much deeper but narrower focus, say on industries, markets or even a country. And if so which ones would interest you? Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, well, you're right. It's much more competitive now than when I've started. And you would -- when I started, I literally could take the Moody's industrial manual and the Moody's banks and financial manual and I could go through page by page, at least run my eyes over every company and think about which ones I might think more about. It's -- it's important -- I would just do a whole lot of reading. I'd try and learn as much as I could about as many businesses, and I would try to figure out which ones I really had some important knowledge and understanding that was probably different than, overwhelmingly, most of my competitors. And I would also try and figure out which ones I didn't understand, and I would focus on having as big a circle as I could have, and also focus on being as realistic as I could about where the perimeters of my circle of competence were.

I knew when I met Lorimer Davidson in January of 1951, I could get insurance. I mean, what he said made so much sense to me in the three or four hours I spent with him on that Saturday. So, I dug into it and I could understand it. My mind worked well in that respect. I didn't think I could understand retailing. All I'd done is work for the same grocery store that Charlie had, and neither one of us learned that much about retailing, except it was harder work than we liked. And you've got to do the same thing, and you've got way more competition now. But if you get to know even about a relatively small area more than the other people do, and you don't feel the compulsion to act too often, you just wait till the odds are strongly in your favor. It's still a very interesting game. It's harder than it used to be. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I think the great strategy, for the great mass of humanity, is to specialize. Nobody wants to go to a doctor that half-proctologist and half-dentist, you know? And so, the ordinary way to succeed is to narrowly specialize. Warren and I really didn't do that. And that -- and we didn't because we prefer the other type of activity. But I don't think we could recommend it to other people.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, a little more treasure hunting in our day, and it was easy to spot the treasures.

A - Charles Munger {BIO 1406508 <GO>}

We made it work, but it was kind of a lucky thing.

A - Warren Buffett {BIO 1387055 <GO>}

Yes.

A - Charles Munger {BIO 1406508 <GO>}

It's not the standard way to go.

A - Warren Buffett {BIO 1387055 <GO>}

The business, at least I best understood, actually was insurance. I mean -- and I had very little competition. You know, I went to the insurance department in Harrisburg, Pennsylvania. I remember one time I drove there just to check on some Pennsylvania company. And this is when you -- You couldn't get all this information on the internet and I went in and I asked about some company, the guy said, you're the first one has ever asked about that company. And there wasn't a lot of them. Then I went over to the Standard and Poor's library on Houston -- Houston Street I guess they call it and we go up there and ask for all this obscure information and there wasn't anybody sitting around there that a bunch of tables that you could set them and things through and so it was less competition, but if you know even one thing very well, it'll give you an edge at some point -- what Tom Watson Senior said at IBM, I'm no genius but I'm smart and spots and I stay around those spots. And that's basically what Charlie and I try and do and I think that's probably what you can do but you'll find those.

A - Charles Munger {BIO 1406508 <GO>}

Yes, we did it in several fields, that's hard.

A - Warren Buffett {BIO 1387055 <GO>}

And we've got our heads handed to us a few times too. Okay, Andrew.

Q - Andrew Ross Sorkin {BIO 6340618 <GO>}

Thanks, Warren. Governance question from a shareholder. Larry Fink of BlackRock has predicted that in the near future all investors will be using ESG Environmental Social Governance metrics to help determine the value of a company. I'm worried we don't score well on everything from climate to diversity to inclusion. How well do you think Berkshire measures up on those metrics and how are they valuable metrics?

A - Warren Buffett {BIO 1387055 <GO>}

I think in reality we measure up well but we don't participate in preparing reports for anybody that asks about it. And we have this idea that, even though all shareholders are equal, we sort of -- we prefer individual shareholders. We actually prefer people we know as co-owners and we don't want to be preparing a lot of reports and asking 60 subsidiaries each to do something whether they'll set up a team and then mail things to headquarters and then we'll supply them with somebody who -- our stock goes up some as what we're going to sell it the way. We want our managers do the right things, we give them enormous latitude to do that and I think that our batting average really is quite good. You saw -- in the movie we talked about having 100% of the electricity we sell and I will come from essentially wind generation, now that doesn't mean that we got to do it 24 hours a day, we sell some and we buy it. But essentially we will be creating as much wind energy as all of our customers using electricity. There's one competitive -- there's one other electric utility -- that's about our size and roughly our size in Iowa, and they have practically no wind resources. And the wind blows where they exist, too. But we have -- we will have that 100%. And as a matter of fact, it's a moving target, because we do so well --

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partly we do so well on wind generation that a number of the high-tech companies want to locate in Iowa and get clean energy from us at very low prices. And therefore, the moving target becomes our growth in customers in that area. But we are not going to put out a -- we're not going to spend the time of the people at Berkshire Hathaway Energy responding to questionnaires or trying to score better with somebody that is working on that. It's just, we trust our managers and I think the performance is at least decent and we keep expenses and needless reporting down to a minimum at Berkshire. We do not yet -- and I mentioned this in the annual report. I can't imagine another company like it, but here we are, with \$500 billion of market capitalization. We do not have a consolidated P&L monthly. We don't need it.

Now I can't imagine any other organization doing that, but we don't need it. And we're not going to tie up resources -- people resources -- doing things we don't need to do just because it's the sort of standard procedure in corporate America. And corporate America is very worried about, in general, they're very worried about whether somebody's going to upset their Apple cart, with activists and everything. So, they want to be very sure that every shareholder is happy on issues like that. And in the end, fortunately, we don't have to worry about that. So, we don't have to run up a lot of expenses, doing things that don't actually let us run the business better. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I think at Berkshire the environmental stuff is done one level down from us. And I think Greg Abel is just terrific at it. And so, I think we score very well. When it gets to so-called best corporate practices, I think the people talk about them, don't really know what the best practices are. They just know what they think are the best practices. And they determine that based on what will sell, not what will work. And so, I like our way of doing things better than theirs, and I hope to god we never follow their best practices.

A - Warren Buffett {BIO 1387055 <GO>}

I'd like point out one thing on "Independent" directors, I mean I have been on 20 public company corporate boards not counting any Berkshire subsidiaries. So, I've seen a lot of corporate boards operate. And the independent directors, in many cases, are the least independent. I mean, if the income you receive as a corporate director, which typically may be around \$250,000 a year now, that's an important part of your income, and you hope that some other corporation calls the CEO and says, How's so-and-so as a director, and the current CEO -- your CEO, says. Oh, he's fine and never raises any problems and then you get on another board at \$250,000 and that's an important part, how in the world is that independent.

I mean, -- I really, just an observation. I can't recall, particularly, any independent director, where their income was -- from the board was important to them I can't recall them ever doing anything in board meetings or committee meetings that actually was counter to the interest you know, they put them on the comp committee. They're just not going to upset the apple cart, because what they're -- and I'd probably behave the same way in the same position. I mean, if \$250,000 a year is important to you, why in the hell would you behave in a way that's going to cause your CEO to say to the next CEO, say, this guy acts

up a little bit too much. You really better get somebody else. It's the way it works but they've

A - Charles Munger {BIO 1406508 <GO>}

I think it works a little worse than Warren's telling you.

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A - Warren Buffett {BIO 1387055 <GO>}

Yeah, Charlie and I

A - Charles Munger {BIO 1406508 <GO>}

It's really awful.

A - Warren Buffett {BIO 1387055 <GO>}

It's awful. I mean, we.

A - Charles Munger {BIO 1406508 <GO>}

And not only that, Warren and I are we occupy the niche for pomposity very well ourselves. We don't need any more of it.

A - Warren Buffett {BIO 1387055 <GO>}

Charlie and I were on one board. Well, I was on one board, actually, a long time ago where we owned a very significant percentage of the company. And the rest of the board was almost exclusively customers of the company. But not owners. They had absolutely token holdings. And at one point we were looking at something where a tax decision was being made in terms of the distribution of some securities. And it was a lot of money that was involved. And one of the other directors said, well, let's just swallow the tax. Well, his swallowing amounted to about \$15 or something -- I said, Let's parse this sentence out. Let's swallow the tax. That's let us swallow the tax. So, who wants to swallow an equal amount, you know, to me. It's you know, it's you don't get invited at the -- Boards if you belch too often at the dinner time [ph].

A - Charles Munger {BIO 1406508 <GO>}

Well, Blue Chip Stamps --we had a director said, I don't see why, who got you, be so important just because you own all shares.

A - Warren Buffett {BIO 1387055 <GO>}

Charlie and I used have to cool off after the Blue Chip Stamps meeting, we and Rick (inaudible) owned what percent, probably.

A - Charles Munger {BIO 1406508 <GO>}

Fifty or so.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, 50% and they've appointed all the,

A - Charles Munger {BIO 1406508 <GO>}

They're all members of the Rotary Club.

A - Warren Buffett {BIO 1387055 <GO>}

It came out of a government settlement or something. And it was not an ideal form of decision making and they just had a different calculus in their mind that we didn't and I can understand that. But I'm not going to replicate it. Okay. Greg.

Q - Gregg Warren {BIO 18090759 <GO>}

Warren and Charlie. US electricity demand has flatlined during the past decade, what could potentially pick up over the next decade with three emerging sources of demand. Electric vehicle charging, data centers and cannabis cultivation expected to account for more than 5% of total US electricity demand.

Utilities will have to work hard to benefit from this new demand though, much of which is likely to accrue to States in the South Atlantic and Central West regions with the greatest benefit going to firms that invest in grid expansion, smart networks, reliability and renewable energy. While, Berkshire Energy has been aggressive with its capital investments and already has some of the lowest electricity rates in areas where it competes. It seems like the firm is winding down its annual spending at a time when more might actually be required with annual spending expected to fall from around \$6 billion on average annually to around \$4 billion in 2021 with two-thirds of that spending being more maintenance driven than growth.

Is there any one area where you feel Berkshire Energy might need to commit more capital over the next decade to ensure that it captures this future expecting demand growth much as it already has and with wind power in Western Iowa which is now populated with a lot of data centers and for territories where demand growth is expected to be the strongest but where Berkshire does not have a presence, are there any avenues aside from acquisitions for the Company to put capital to work.

A - Warren Buffett {BIO 1387055 <GO>}

I'm going to throw that over to that [ph]Ajit just in a second, but I will tell you that we have three owners at Berkshire Hathaway Energy. We are the 91% owner and there are no three owners that are more interested in pouring money into sensible deals within the utility industry or are better situated in terms of the people we have to maximize any opportunities. We have never had a penny of dividends, in whatever it is close to 20 years of owning MidAmerican Energy and other utility companies pay high dividends. They just don't have the capital appetite essentially that that we do so it's just a question of finding sensible projects. And I would say that there is no group that is. As a smart about it, as motivated about it there's our group and with that I'll turn it over to Greg.

A - Gregory Abel {BIO 1416724 <GO>}

In short we're about as good as you can get and you should worry about something else.

A - Warren Buffett {BIO 1387055 <GO>}

But Greg could you stand up and talk about. Maybe we hopes to spend a lot of money on energy.

A - Charles Munger {BIO 1406508 <GO>}

Yeah. Afternoon, Yeah Greg you touched in the couple of critical areas we go forward is to look realistically in the '21 2022 timeframe because as you've touched on -- we've got a great portfolio as we finish out 2019, 2020 and it's really been focused on building the renewable energy projects in Iowa expanding the grid. But equally we do have those opportunities in our other utilities.

The footprint in Iowa realistically is getting pretty full. As we hit a 100% renewables . Warren touched on it, every time we get a new data center that means we can build another 300 megawatts of renewables. We'll continue to do that. But when you look at Pacific Corp. where we serve six states in the northwest. We've really just embarked on an expansion program there.

The first part was to build significant transmission to expand the grid and then start to build renewables. But just to give you some perspective of the regulation that exists in place we started that project in 2008. And we're realistically building the first third of it. But we do have the planning in place for the second phase and the third phase and that's what you'll see come into place in 2021 and '23. And the reality is we'll continue to do that in NV Energy with really again the focus being on both grid expansion, so we can move the resources and then supplementing it with renewables. So it's exactly what you've touched on and we haven't identified the specific projects yet so we never put them in our capital forecasts that we disclosed to folks. But as a firm up and we know they will go forward.

Clearly you'll see some incremental capital and that's capital we clearly earn on behalf of the Berkshire shareholders as we deploy it. Thank you.

A - Unidentified Speaker

We will put a lot of money into energy. Yeah, we're really in marvelous shape in this department.

A - Warren Buffett {BIO 1387055 <GO>}

Incidentally and Walter Scott I mean he gets excited looking at all these projects and goes out and visit [ph]them . He has -- he knows way more about the business than he's forgot more about it than I'll ever know. But we've got a great partnership. We've got unlimited capital. we've got -- we'll continue to have it. And there needs for huge capital in the industry. So I think 10 years from now or 20 years now, our record will be looked at and there'll be nothing like it in the energy business.

A - Charles Munger {BIO 1406508 <GO>}

Well, Greg, is there anybody ahead of where we are in Iowa in terms of energy?

A - Gregory Abel {BIO 1416724 <GO>}

Charlie, there's realistically no one ahead of us in the US, let alone in Iowa. When you look at the amount of energy we produce relative to what our customers consume, we really do lead the nation and Iowa.

A - Charles Munger {BIO 1406508 <GO>}

And aren't our rates about half that of our leading competitor in Iowa to boot?

A - Gregory Abel {BIO 1416724 <GO>}

Exactly. We're right in that range.

A - Charles Munger {BIO 1406508 <GO>}

If this isn't good enough for you, we can't help you.

A - Warren Buffett {BIO 1387055 <GO>}

Incidentally, I mean, we sell electricity five miles from here. Greg, is that correct?

A - Gregory Abel {BIO 1416724 <GO>}

Right across the river.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, right across the river. And the wind blows the same and all that sort of thing. And the public power district here, -- in Nebraska, going back to George Norris, has always been a public power state. There's no -- capitalism doesn't exist in the electric utility field in Nebraska. So, they have had the advantage of selling tax-exempt bonds. We have to sell taxable bonds, which raises cost to some degree. They have a big surplus, which they don't have to pay dividends on or anything else. And our rates are cheaper than theirs, basically I mean, we're very proud of our utility operation. Carol?

Q - Carol Loomis {BIO 7137249 <GO>}

Warren, you are a big advocate of index investing, and of not trying to time the market. But by you're having Berkshire hold such a large amount of cash in T-bills, it seems to me you don't practice what you preach. "I'm thinking that a good alternative would be for you to invest most of Berkshire's excess cash in a well diversified index fund until you find an attractive acquisition or buy back stocks. "Had you done that over the past 15 years, all the time keeping the \$20 billion cash cushion you want, I estimate that at the end of 2018, the company's \$112 billion balance in cash, cash equivalents, and short-term investments and T-bills, would've instead been worth about \$155 billion? The difference between the two figures is an opportunity cost equal to more than 12% of Berkshire's current book value.

What is your response to what I say?" And I forgot to say the question is from Mike Elzahr, who is with the Colony Group, located in Boca Raton, Florida.

A - Warren Buffett {BIO 1387055 <GO>}

That's a perfectly decent question, and I wouldn't quarrel with the numbers. And I would say that is an alternative, for example, that my successor may wish employ, because on balance, I would rather own an index fund than carry Treasury bills. I would say that if we'd instituted that policy in 2007 or 2008, we might we might have been in a different position in terms of our ability to move late in 2008 or 2009. So, it has certain -- it has certain execution problems with hundreds of billions of dollars than it does if you were having a similar policy with a billion or 2 billion or something of the sort. But it's a perfectly rational observation. And certainly, looking back on 10 years of a bull market, it really jumps out at you. But I would argue that if you were working with smaller numbers, it would make a lot of sense. And if you're working with large numbers, it might well make sense in the future at Berkshire to operate that way. You know, we committed 10 billion a week ago. And there are conditions under which -- and they're not remote, they're not likely in any given week or month or year -- but there are conditions under which we could spend a \$100 billion very, very quickly. And if we did -- if those -- both conditions existed -- it would be capital very well deployed than much better than in an index fund. So, we've been -- we're operating on the basis that we will get chances to deploy capital. They will come in clumps in all likelihood. And they will come when other people don't want to allocate capital. Charlie, what do you think about it?

A - Charles Munger {BIO 1406508 <GO>}

Well, I plead guilty to being a little more conservative with the cash than other people. And -- but I think that's all right. We could have put all the money into a lot of securities that would've done better than the S&P with 2020 hindsight. Remember, we had all that extra cash all that period, if something had come along in the way of opportunities and so on. I don't think it's a sin to be a little strong on cash when you're as a big a company as we are. We don't have to -- I watched Harvard use the last ounce of their cash, including all their prepaid tuition from the parents, and plunge it into the market at exactly the wrong moment and make a lot of forward commitments to private equity. And they suffered, like, two or three years of absolute agony. We don't want to be like Harvard.

A - Warren Buffett {BIO 1387055 <GO>}

Plus Mmber and a whole bunch of --.

A - Charles Munger {BIO 1406508 <GO>}

What?

A - Warren Buffett {BIO 1387055 <GO>}

Plus Mmber. And I mean --

A - Charles Munger {BIO 1406508 <GO>}

Yes, yes. We're not going to change --

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Bloomberg Transcript

A - Warren Buffett {BIO 1387055 <GO>}

We do like having a lot of money to be able to operate very fast and very big. And we don't -- and maybe we won't -- we know we won't get those opportunities frequently. I don't think -- certainly, you know, in the next 20 or 30 years they'll be at two or three times. When it'll be raining gold and all you have to do is go outside. But we don't know when that will happen and we have a lot of money to commit. And I would say that if you told me I had to either carry short-term Treasury bills or have index funds and just let that money be invested in American generally I would take the index funds. But we still have hops.

And the one thing you should very definitely understand about Berkshire is that, we run the business in a way that we think is consistent with serving shareholders who have virtually all of their net worth in Berkshire. I happen to be in that position myself, but I would do it that way under any circumstances. We have a lot of people who trust us, who really have disproportionate amounts of Berkshire compared to their net worth, if you were to follow standard investment procedures. And we want to make money for everybody, but we want to make very, very sure that we don't lose permanently money for anybody that buys our stock somewhere around intrinsic business value to begin with. We just have an aversion to having a million-plus shareholders, maybe as many as 2 million, and having a lot of them ever really lose money, if they're willing to stay with us for a while. And we know how people behave when the world, generally, is upset. And they want to be with something -- I think they want to be with something they feel is like the Rock of Gibraltar. And we have a real disposition toward that group. Jonathan?

Q - Jonathan Brandt {BIO 17988091 <GO>}

Freddie Mac and Fannie Mae have new financing programs for manufactured home loans that I'm guessing could finally put purchasers of those homes who need mortgages on a somewhat more level playing field with those buying site-built homes. How positive an effect do you expect these new programs to have on manufactured home demand? And how might the programs affect Clayton's sizable profits from lending? Will Clayton sell more loans to Freddie and Fannie, and does that help profits even if spreads compress?

A - Warren Buffett {BIO 1387055 <GO>}

Well it may not help profits but it would definitely be good if the Freddie and Fannie are authorized to do more lending against manufactured homes and the manufactured homes are a very reasonable way to get -- for people to get decent housing and have a home. And they are hard to finance to some degree. The local banks frequently do it, but the big lenders haven't wanted to do it. They are -- there is the possibility or the likelihood that Freddie and Fannie are going to expand. We already sell -- I don't know whether it's 10 million a month of loans or something like that to Freddie and Fannie. But it would be very good for America, in my view, if Freddie and Fannie did more in that area. Obviously, we would sell some more homes, but we would lose financing and we might come out behind, we might come out ahead. But I think it would be a good thing to do. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

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Well, I think Freddie and Fannie will finance more and more homes, and I think they'll do it more and more of it through Clayton. And they'll do it because Clayton is very trustworthy, and will do a very good job at making good housing at cheap prices for people. And I think Clayton will get bigger and bigger and bigger as far ahead as you can see. And the guy's young, he doesn't look like Warren and me. Not at all.

A - Warren Buffett {BIO 1387055 <GO>}

We've got a perfect managerial group at Clayton, and we're expanding our site-built homes. We just closed on a builder a couple a few days ago. And we now have nine different I believe nine different site-built home operations and we didn't have any a few years ago. And we think extraordinarily well of Kevin Clayton and his group. Our directors met last year in Knoxville and viewed the Clayton operation for the second time. So we like the idea of Clayton expanding and we like the idea of more people having very affordable housing.

During the 2008 and '09 recession, our borrowers who had very low FICO scores on average, I mean compared to the typical home buyers, and they -- if they kept their jobs, they made the payments. I mean, they wanted that home and the home was an enormously important item to them. And we had various programs that helped them as well. But our loan experience was far better than people anticipated under the stress that existed then. But it was because a home really means something to people. And absent losing jobs or sickness and like I say we have some programs to help people -- they make the payments and they had very decent living. But they would get that even cheaper if Freddie and Fannie expanded their programs and I like I say I hope they do.

Okay, station two.

Q - Unidentified Participant

Hi Warren. Hi Charlie. My name is Carrie and this is my daughter, Chloe. She's 11 weeks. It's her very first Berkshire meeting. We're from San Francisco and we have a question on employment for you?

As both a major employer and a producer of consumer goods. What do you make of the uncertain outlook for good full-time jobs with the rise of automation and temporary employment?

A - Warren Buffett {BIO 1387055 <GO>}

Well, if we'd asked that question 200 years ago. And somebody said would the outlook for development of farm machinery and tractors and combines and so on meaning that 90% of the people on farms were going to be -- lose their job. It would look terrible but our economy and our people, our system has been remarkably ingenious in achieving whatever we have now ordered 160 million jobs when throughout the period ever since 1776 we've been figuring out ways to get rid of jobs.

That's what capitalism does and it produces more and more goods per person. And we never know exactly where they're going to come from. I mean it kind of I don't know what

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if we were -- whatever occupation -- well if you were in the passenger train business I mean -- you were going to -- that was going to change. But we find ways in this economy to employ more and more people and we've gotten now more people employed than ever in the history of the country even though, company after company and heavy industry that sort of thing has been trying to figure out naturally how to get more productive all the time which means turning out the same number of goods with fewer people/ We're churning out more goods with the same number. That's that is capitalism. I don't think. I don't think you need to worry about American ingenuity running out. I mean, if you look at people in all kinds of businesses, and they like to make money, but they really like -- they like to be inventive. They like to do things and this economy, it works -- it will continue to work. And it will be very -- it's very tough in certain industries, and there will be dislocations. We won't be making as many horseshoes and that sort of thing when cars come along and all that. But we do find ways now to employ whatever we're employing -- 155, whatever it is -- million people, and supporting a population of 330 million people. When we started with 4 million people, with 80% of the labor being employed on farms. So, this system works and it will continue to work. And I don't know what the next big thing will be. I do know there will be a next big thing. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, we want to shift this kind of work to the robots to the extent we can. That's what we were doing, as Warren said, for 200 years. Nobody wants to go back to being a blacksmith, or scooping along the street, picking up the horse manure, or whatever the hell people used to do. We're glad to have that work eliminated. And a lot of us worry about the future comes from left us to worry terribly, but the people at the bottom of the economic pyramid have had a little stretch when the people at the top got ahead faster. That happened by accident because we were in so much trouble, we had to flood the world with money and drive interest rates down to zero. And, of course, that drove asset prices up and helped the rich. Nobody did that because they suddenly loved the rich, it was just an accident at the end of the day. It will soon pass. We want to have all this productivity improvement, and we shouldn't worry a little about the fact that one class or another is a little ahead at one stretch.

A - Warren Buffett {BIO 1387055 <GO>}

Charlie and I -- we worked in a grocery store. And when people ordered a can of peas, we had ladders that we climbed up to reach the can of peas, and then we placed it in a folding box, and then we put it on a truck. And if you looked at the amount of food actually transferred between the producer and the person who consumed it, and the number of people involved in the transaction, it was -- I don't know whether it was one-third or one-quarter or one-fifth, it was efficient as the best way now to get food delivered to you. And..

A - Charles Munger {BIO 1406508 <GO>}

And the food was worse.

A - Warren Buffett {BIO 1387055 <GO>}

And my grandfather was distressed about the fact that this particular credit and delivery kind of store would be eliminated. And it was eliminated. But society was rushing back.

A - Charles Munger {BIO 1406508 <GO>}

It's coming back.

A - Warren Buffett {BIO 1387055 <GO>}

It's coming back more efficiently. Anyway, we've seen a little creative destruction and frankly we're glad that it freed us to go into the investment business. Worked out better for us. Becky

Q - Becky Quick {BIO 16400962 <GO>}

This question comes from Brian Gust of Graeon, Wisconsin. He's talking about regulators and politicians and says the Berkshire Hathaway investment portfolio holds several large financial institutions that are heavily regulated and are politically charged. Do you feel that in some cases the regulators and/or politicians are running the big banks instead of the CEO and the board of directors.

A - Charles Munger {BIO 1406508 <GO>}

Sure. But not too much.

A - Warren Buffett {BIO 1387055 <GO>}

No, insurance has been regulated -- it happens to be regulated primarily on a state basis but insurance has been regulated ever since we went into it and it hasn't -- what -- when I looked -- GEICO was doing \$7 million a business it will do \$30 odd billion of business now. It's been regulated the whole time and regulation can be a pain in the neck generally.

But on the other hand we don't want a bunch of charlatans operating in the insurance business and insurance actually lends itself to charlatans because you get handed money and you give the other guy a promise. And I like the fact that there is regulation in the insurance business or the banking business. It doesn't mean they can't drive you crazy sometimes or anything of the sort but those businesses should be regulated. And they're too important at any time you can take other people's money and they go home with a promise and you go home with the money.

I don't mind a certain amount of regulation in those businesses Charlie? .

A - Charles Munger {BIO 1406508 <GO>}

Yeah you're using the government's credit because you have deposit insurance. There's an implicit bargain. You can't be too crazy. What you do with the money. That's perfectly reasonable and I absolutely believe that we should have a regulation system. That involves the supervision of risk taking by banks. It got particularly bad in the investment banks at the peak of the real estate crisis and the behavior was there's only one word for the behavior, it was disgusting and it was pretty much everybody Warren, you -- it's hard

to think of anybody who stayed same in that boom. They felt the other guy's doing dumb things I got to do it too or --Probably left out. What a crazy way to behave, and so I'm sure there's some intervention but probably has to be.

A - Warren Buffett {BIO 1387055 <GO>}

You want the Food and Drug Administration. No you'll be unhappy with how they do it, if you're in the business and all that but, I find any kind of regulation irritating but nevertheless it's good for the system. And actually a number of regulators I would, you know I would say that they've really been quite sensitive about regulation but you don't feel that way when you're being told how to run your business. But as Charlie, said you wouldn't want to be a bank that ran in an unregulated system where anybody could come in and do all kinds of things that would actually have -- that would have consequences that drew you into their -- the problems that they created themselves.

We had the Wild West in banking long ago and it had produced a lot of problems in the 19th century. Ajit?

A - Ajit Jain {BIO 3192279 <GO>}

For the past several years in Berkshire's annual shareholder letter, there's been increasingly less detail provided on its operating businesses and financial performance, for example the Company is no longer providing details on the finance and financial products segment or a balance sheet for the manufacturing service and retail segment or a breakdown a float by unit in the insurance business. For a Company is large and diversified as Berkshire, why are investors being provided less information than previously?

A - Warren Buffett {BIO 1387055 <GO>}

Well, I don't think we actually provide less information, we may present it in a somewhat different form from year-to-year, than this year for example, you know when I started my letter as usual in my mind as saying Dear Doris and Bertie, my sisters to tell them what I would tell anybody that had a very significant proportion of their net worth in Berkshire. Who is intelligent, did not know all the lingo of our various businesses that would read a lot of words because they had, they did have a large investment so, if I explained anything and did a decent job that they wouldn't understand what I was talking about.

And, I tell them that in the language that, I think will be understandable to the -- to a significant percentage of a million plus people who have all kinds of different understanding of accounting and all that sort of thing. I tell them the information I would want to hear on the other side now if I was a competitor and I wanted to know what one of our furniture your store was earning or something of the sort. I might love it but it doesn't really make any difference if you're talking about a \$500 billion organization, if you understand our insurance business and in terms of giving you the picture I think in three or four or five pages, actually we've got a whole bunch of stuff that required by the SEC about loss reserve development. I think you can write a 300 page report that gives a whole lot less information than a 50 page report. And you lose people. So I try to tell them like I say in my mind, it's my sisters. I try to tell them what I would tell them if we had

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a private business and they owned a third of it each and I own the third and once a year they like to get filled in and they don't know what a combined ratio means because it's a dumb term that everybody uses and important things. Call it a profit margin. They don't know what the operating ratio was in the railroad business and it's an obsolete term it'd be better to call out a profit margin but the lingo-- we're not writing it for analysts. We're writing it for shareholders and we're trying to tell them something so they can make an addition. They can not only get the picture as to what we own now but how we think about the operation what we're trying to do over time and we try to do the best job we can every year.

And I don't think it -- I think if somebody is terribly interested in the details they really are missing the whole picture because you could have known every detail of our textile business in 1965 or we could give you the information as how much we made from linings and how much we made from handkerchiefs, and it would be in a different world. I mean the important thing was how we looked at running money and what we would do about things over time and it just -- you could have gotten very mis-led you've read it -- you read it 1980 or 1985 and you look for great detail on how See's Candy was doing and as they moved east worthy and all -- we'll tell you that overall that fell in terms of moving out the territory but going in to whole lot of detail that might be very interesting to an analyst. But really for a shareholder they've got to make a decision as to who is running their money and how they're running it -- what they've done over time and what they hope to do in the future and how to measure that. And, again, we're writing for the individual, Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I suppose, I should be watching every tiny little business down to the last nickel, but I don't. And I don't want that much detail. And I think our competitors would like it, and it wouldn't do our shareholders any good. So we'll probably just keep reporting the way we do.

A - Warren Buffett {BIO 1387055 <GO>}

You can see how flexible we are here. Station 3.

Q - Unidentified Participant

Hello, Mr. Buffett and Mr. Munger. I'm Sasha Xixi [ph] from China International Capital Corporation Limited. Last week, China announced 12 new measures on further opening up the financial industry. All these measures will allow many more investor institutions to enter into Chinese financial market and to insure the policies of foreign investment to be consistent with those of domestic investment. What do you think about these new measures? Do you believe the foreign financial institutions will have more pricing power over Chinese stock markets in the future? Do you have any plans to set up a company in China? If so what time? Thank you.

A - Charles Munger {BIO 1406508 <GO>}

Well, we've got one now. Dairy Queen is all over China. And it's working fine. And we didn't wait for new laws. We did it under the old laws. But we're not that big, net in China,

right, Warren?

A - Warren Buffett {BIO 1387055 <GO>}

We're not that big what?

A - Charles Munger {BIO 1406508 <GO>}

In China.

A - Warren Buffett {BIO 1387055 <GO>}

No, but we had something that could have happened that would have been quite sizable. But China, it's a big market, and we like big markets. I mean, we really can only deploy capital in a major way maybe in 15 or so countries just because of the size.

A - Charles Munger {BIO 1406508 <GO>}

But generally, I think the climate is getting better. It really makes sense for the two countries to get along. Think of how stupid it would be if China and the United States didn't get along. Stupid on both sides, I might add.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, we've done well in China. We haven't done enough. Andrew?

Q - Andrew Ross Sorkin {BIO 6340618 <GO>}

Warren, this is a question from a member of the House of Lords in Westminster, who happens to be here today, who also is a shareholder of the company. This is Lord Gadodia who says, "You've written, 'We hope to invest significant sums across borders. So what's your appetite to invest in the UK and Europe, and how will Brexit impact that? And while we're at it, what's your advice for solving UK's Brexit dilemma?'

A - Charles Munger {BIO 1406508 <GO>}

That's yours, Warren.

A - Warren Buffett {BIO 1387055 <GO>}

Well, I can -- I will tell you this. I mean, I gave an interview to The Financial Times, and I don't do that very often. But one of the considerations I have is that I would like to see Berkshire Hathaway better known in both the UK and Europe. And the FT audience was an audience that I hoped would think of Berkshire more often in terms of when businesses are for sale. Our name is familiar, I think, pretty much around the world when, at least, financial circles. But there is no question if anybody's going to sell a large business in the United States, they're going to think of Berkshire. They may decide, for other reasons, they'd rather do it differently. But they will think of Berkshire. And I don't think -- I mean, obviously that is not as true around the world. We've had some very good luck with a few people that have thought of Berkshire, I mean, such as at ISCAR. And actually, Berkshire Hathaway Energy had one of its base holdings from way back was in the UK. But I was

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looking, in doing that interview, I was willing to spend three hours with the FT reporters in the hope that when they write about -- when they write the story -- that somebody, someplace thinks of Berkshire that wouldn't otherwise think of it. And we'd love to put more money into the UK. I mean, if I get a call tomorrow and somebody says, "I've got an x-billion-dollar -- pound -- company that I think might make sense for you to own," and that I would like to actually have as part of Berkshire, I'll get on the plane and be over there. But they'll have to name -- they'll have to tell me what their price ideas are, and what its earnings -- I'm not interested in going over and talking about it and pricing it for them and then not making a deal. We like to make deals when we actually get into action. And we're hoping for it. And we're hoping for a deal in the UK and/or in Europe, no matter how Brexit comes out. I think it -- I don't -- I'm not an Englishman, but I have the feeling it was a mistake to vote to leave. But I don't think it's -- I don't think it -- it doesn't destroy my appetite in the least for making a very large acquisition in the UK. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, all my ancestors came from Northern Europe. So I'm very partial to the place. On the other hand,

A - Warren Buffett {BIO 1387055 <GO>}

if you asked me how, I wouldn't have voted on Brexit if I lived in Britain, I don't even know. It just strikes me as a horrible problem. And I'm glad it's theirs, not mine. But if I called you tomorrow and said we had a deal in UK you'd tell me.. Oh, I would go in, in a minute. Yes. Those are my kind of people. I understand them. Yes.Okay, Greg?

A - Gregory Abel {BIO 1416724 <GO>}

Yes, Warren, just wanted to kind of maybe follow up on those past two questions, because there is sort of a theme there. It seems to me that there's definitely more of a home country bias when we look at the acquisitions and investments that Berkshire's done historically. And while there's definitely value in sticking with what you know and feel the most comfortable with, it seems like you've gone from a model that was originally focused on putting boots on the ground to find investment and acquisition opportunities to one where you're seemingly more content to have sellers or their representatives call you or drop by the office, basically more of a pull model than a push model. There's nothing wrong with this, but I just wonder, if the opportunity cost that comes with this type of model is that Berkshire misses out on a lot of overseas business where owners are unaware of your willingness to step up and buy them outright and allow them to run their companies under the Berkshire umbrella, and missing stock investment opportunities because Berkshire is not necessarily familiar enough with the local market. At this point, do you think Berkshire would benefit from putting more boots on the ground in these overseas markets?

A - Warren Buffett {BIO 1387055 <GO>}

Yes, we -- actually, it must have been after we bought ISCAR, Eitan Wertheimer convinced me that we should get more exposure in Europe. And he helped out in doing that. I went over, he arranged various meetings. We've had a lot of contact. It isn't that they're not aware, and we do hear about some. But we do have the problem they've got to be

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sizable. I mean, if we do a billion-dollar acquisition, and it makes \$100 million, or thereabouts, pretax, \$80 million after tax, it's -- if we really know the business and we're sure we're not going to have a problem with the people running it being motivated in the future, and doing a similar job as to when they had their money in and everything. It's nice to add \$80 million to \$25 billion. But you can't afford to spend lots of time doing that. And we gain something by having Todd and Ted do some looking at things, that sort of thing. But in the end, you want somebody that -- some family that's held their business in Europe or in the UK for 50 or 100 years that can make a deal, and that wants to do it with Berkshire. I mean, if they're looking for -- to get the most money, if they want to have an auction, we're not going to win and we're not going to participate because we're not going to waste our time on it. If we form a acquisition crew, they'll acquire something. I mean, I've watched so many institutions in operation that, if your job every day is to go to work and screen a bunch of things with the idea that you're the strategic department or acquisition department, you're going to want to do something. I want to do something, but I don't want to do something unless Berkshire purely benefits by it and it's generally a super size.

A - Charles Munger {BIO 1406508 <GO>}

Warren, our problem is not a lack of boots on the ground, our problem is the people on the ground are paying prices that we don't want to pay. That's our problem. And that problem is not going to be cured by boots.

A - Warren Buffett {BIO 1387055 <GO>}

We can spend \$100 billion in the next year. That is not a problem. Spending it intelligently is a huge problem. And the...

A - Charles Munger {BIO 1406508 <GO>}

Our competitors are buying with somebody else's money, and they get part of the upside and take none of the downside. It is hard to compete with people like that.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, they'll leverage it up, they'll make a lot of money if it fails, and they'll make even more money if it succeeds. And that's not our equation. And that isn't always that way, but it's certainly that way now. It's probably..

A - Charles Munger {BIO 1406508 <GO>}

And it's not in the shareholders' interest that we get to be like everybody else.

A - Warren Buffett {BIO 1387055 <GO>}

Okay, Station 4.

Q - Unidentified Participant

Mr. Buffett and Mr. Munger, thank you so much for the wisdom you've shared with us over the years. This is Steven Wood from New York. And, Mr. Buffett, thank you very much for

your feedback, your very generous feedback, last August on the book that I'm writing. I just had one follow-up, if I may. In studying the most significant value creators of all time, it is very evident that the major compounding effect happened later -- at the later stages of the careers. Or in Vanderbilt's case, even beyond his own career. So your recent investments have suggested to me that you are designing Berkshire to being a steady compounding machine that should continue to create value for a very very long time. Would you both please elaborate on this compounding machine? And the machine's ability to continue to adapt to keep this value creation durable. And then is this legacy one of your sort of primary motivations when you wake up every day?

A - Warren Buffett {BIO 1387055 <GO>}

I would say it is the primary motivation, but it's been that for a very, very, very long time. No matter what was going right in my life, if things were going badly at Berkshire, I would not feel good. I don't need to be spending my time working on something that makes me feel bad about the results when we get through. And it's something that's doable. I mean, the culture is stronger now than it was 10 years ago, and it was stronger then than 10 years previously. It moves slowly, but it goes in the right direction. And when we get chances to deploy the capital, we've always tried to make any entity, whether it was the partnership originally, or Berkshire now, or Blue Chip Stamps when we owned it, or even diversified regain [ph], we wanted them all to be compounding, in effect, be compounding machines. That's why people gave us capital, that's why we put our own capital in. And if we failed at it, we really felt like we'd failed. It didn't make any difference how much money we made from fees or anything like that, we knew what our yardstick was. And so that will continue.

I think Berkshire is better situated than it's ever been, except for the fact that size is a drag on performance, and I probably wrote that 40 years -- well, I wrote it, actually, when I closed the partnership to new money when we had like \$40 million in it. I just said, really, that new -- that additional capital would drag down returns from a \$40 million base. So, you can imagine how I feel with a \$368 billion base of capital in Berkshire now. But this culture is special. It can work. It won't be the highest compounder, by a long shot, against many other businesses. I think it will be one of the safest ways to make decent money over time. But that will depend on the people that follow us. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, we came a long way from very small beginnings. And the fact that it slows down a little when it becomes monstrous. It's not my idea of a huge tragedy. And I think we will continue to do very well in the future. We had nothing like the energy operation 20 years ago, and it's a powerhouse. We had nothing like Kevin's operation in home building 30 years ago, and it will soon be the biggest -- well, even now, it's bigger than anybody else in the country, both of types of housing. Isn't it? Houses? I think so. And we have a lot going for us, and I'm satisfied. I think it's going to continue reasonably.

A - Warren Buffett {BIO 1387055 <GO>}

And it would ruin our life if we did terribly. So, that's what we wake up thinking about in the morning. But I wouldn't want to be in a business where I was going to let down other people, and I think it would be crazy to do something like that, even if you weren't rich in

88. But we are motivated to have something that is regarded as something different than others and we're actually -- in a world where so much money is institutionalised, I like the idea of having something that's actually owned by individuals in very significant part, who basically trust us and don't worry about what the next quarter's earnings are going to be. I think it's different than much of capitalism, and I think it's something that Charlie and I feel good about.

A - Charles Munger {BIO 1406508 <GO>}

Yes, absolutely.

A - Warren Buffett {BIO 1387055 <GO>}

Carol?

Q - Carol Loomis {BIO 7137249 <GO>}

This question comes from Stephen De Bode of Danville, California, and it raises a question, I've certainly never heard before. Mr. Buffett, in the past, you have recommended low-cost S&P -- and again today -- S&P 500 Index funds is reliable long-term investment vehicles. These funds have certain inherent structural advantages such as low costs and automatic reshuffling of their holding. But Berkshire also has certain structural advantages, such as financial leverage from the float and diverse capital allocation opportunities. I think of Berkshire as being ahead in this game. For example, it seems to me that if Berkshire's overall operating business and investment performance were to exactly match the total return of the S&P Index over a 10-year period, Berkshire's growth and intrinsic value would outperform the S&P 500. If you agree, could you estimate by how many percentage points?

A - Warren Buffett {BIO 1387055 <GO>}

Well, the answer is, I won't estimate anything of it. The -- if we just own stocks and we own the S&P, our performance would be significantly worse than the S&P because we would be incurring a corporate tax, which would now be 21% on capital gains plus possibly some state income taxes. And effectively, our tax rate on dividends is -- depends where they're held -- but somewhere between 10.5% or 11% and 13%. So Berkshire is a mistake -- or it's at a corporate disadvantage simply by the way the tax law runs, compared to owning an index fund, which has no tax at the corporate level, but just passes through to shareholders. So, I wouldn't -- I don't know whether we'll outperform the S&P 500 or not. I know that we'll behave with our shareholders' money exactly as we would behave with our own money. And we will have -- we'll basically tie our fortunes in life to this business, and we will be very cognizant of doing anything that can destroy value in any significant way. But we will probably -- if there were to be a very strong bull market from this point forward, we would probably underperform during that period. If the market five years from now or 10 years from now is at this level or below, we will probably overperform. But I don't think that I want to -- I don't quite understand the question in terms of what said at the total return of the S&P over a 10-year period and Berkshire's growth in intrinsic value would outperform. I don't know whether that will happen or not. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, there would be one big advantage for the shareholders that pay taxes, and that is that the Berkshire shareholders, even if we just matched the S&P, we'd be way ahead for taxes. We all have a pretty decent role in life and a pretty good position. We shouldn't be too disappointed.

A - Warren Buffett {BIO 1387055 <GO>}

No. If we -- we could have structured -- going back to partnership days -- we could have structured things so that actually, over a period of time, doing the same things we did, would have come out somewhat more favorably for shareholders if we had kept it to the original partnership group. But the present form hasn't worked badly, although we have had periods when our corporate capital gains tax, as opposed to the individual, I think it got up to 39% a couple of years or one year, and certainly was 35% for a long time. And then, on top of that, we had the state income taxes in some cases. And they exceeded -- well, I mean, if you owned a pass-through fund, you did not have that level of possible double taxation. Now, if you hold a stock forever, you don't pay it. But if you actually sell your stock, you've had a double tax effect. We're not complaining in any way, shape, or form. This country has treated us incredibly well and we've added this huge tailwind, which I wrote about in the annual report. And it wouldn't have happened in any other country. So it's -- we've been very lucky that we've been operating in this country at this time. Charlie, anything?

A - Charles Munger {BIO 1406508 <GO>}

No.

A - Warren Buffett {BIO 1387055 <GO>}

Jonathan.

Q - Jonathan Brandt {BIO 17988091 <GO>}

In Nevada, several casinos have cut the cord with our NV Energy subsidiary and are seeking their electricity needs elsewhere, even though they had to pay huge exit fees. I have three questions about this phenomenon. One, do you believe that these are rational choices, or were they made for non-economic reasons? Two, what can NVD do, if anything, to stem the tide of defections? And, three, is this something that could happen in other states where you operate regulated utilities? Or is the situation in Nevada somehow unique because of super-sized customers that have more leverage in the power market than smaller industrial customers in other states? And I don't know whether that's a question for you or Greg, but I'd be happy to hear from either of you.

A - Warren Buffett {BIO 1387055 <GO>}

It's a question for Greg.

A - Gregory Abel {BIO 1416724 <GO>}

Thanks, Jonathan. So just for everybody, I think they heard the question from Jonathan, but we've owned the utility there for approximately five years. When we inherited the utility, we knew it had some fundamental issues around its customers. The relationships

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were really strained from day one because they'd had a history of continuing to increase rates and they really weren't delivering renewable energy or meeting the customers' needs or expectations. So we knew we had some challenges there. As we sit here today, we've had five customers leave our system. Those customers still use our distribution services. So the only thing we do not provide them is the power. So we have lost an opportunity to sell them power, and we've lost the associated margin on that and we are disappointed with that. We do recover, substantial fees, as you noted. How the commission looked at it was, well, you lose this customer, we'll give you effectively six years of profit on that. And by then you should have grown back into your normal load.

And actually, it's a fair outcome. Our load is higher than it was relative to when those customers have left. So we've grown through that and it's consistent with their belief. The fundamental issue and you've touched on it, why are they leaving? There are economic reasons for them leaving. And the fundamental reason is, in year seven, they no longer bear sort of the societal costs that are being imposed by the state. They don't have to bear the costs of renewable energy. They don't bear the costs of energy efficiency and they viewed it as sort of the time to exit out of that model. We do have a variety of legislation that's going to levelize the playing field. We've had a number of customers that announced they were leaving now who've entered into long-term agreements with NV Energy. And I really do believe our team has the right model, which we're much more focused on delivering a great value proposition to our customers. So it has to include price. But equally, we're building substantial renewable energy there now. And long term, our team will deliver great proposition to them, and I think NV Energy will -- it will prosper in the long term. We're going to be happy with it as a long-term investment. Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

Greg, could you give them, give the audience a rough approximation of what, say, in the 10 years or whatever it may be before we bought Nevada Power, what had happened with rates -- what has happened with rates under us; and what has happened with coal generation under us?

A - Gregory Abel {BIO 1416724 <GO>}

Right. Yes, that's great. So, Warren's really expanding on what are -- the focus we've brought to delivering something to the customer. So if you'd looked at the prior 10 years, they pretty much had a rate strategy that every second year their rates would go up sort of by the cost of inflation. And that pretty much materialized year after year. We came in immediately, just like we've done in Iowa -- so we've built all that renewable in Iowa and we've never increased rates since the date we acquired it 1999. So rates have been stable and we don't ever see raising rates in Iowa till probably 2030 or 2031. Our team took a very similar approach in Nevada, which was to stabilize it. So rates are down probably 5% to 7% since we've owned them. So we haven't had rate increases. We've announced substantial rate increases again that will take effect every two years. So just like we used to be able to have rate increases, we have a view of when we'll decrease their rates. Their rates will go down again in 2002. We've -- pardon me, in two years. And then on top of that, there's been an approach to eliminate coal, as Warren touched on. So fundamentally, when we acquired it, all their coal fleet was operating. We've retired a substantial portion of the coal fleet already. And by, I believe it's within a year, this 2023,

we'll have eliminated 100% of their use of coal in that state. And it was a substantial portion of their portfolio in the past. So team's done a great job. Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

Charlie, you have anything?

A - Charles Munger {BIO 1406508 <GO>}

No.

A - Warren Buffett {BIO 1387055 <GO>}

Station

Q - Aaron Lanni

(inaudible). Yes, hi. My name is Aaron Lanni. I'm a portfolio manager at a company called Medici out of Montreal, Quebec. My question is actually for Todd and Ted if possible. So according to Warren you lag slightly behind the S&P 500 since joining Berkshire. So, what recent changes if any have you implemented to increase your odds of beating the S&P in your respective stock portfolios over the next 10 years?

A - Warren Buffett {BIO 1387055 <GO>}

I'm not sure whether Todd or Ted are here but -- they -- I will tell you but then I'll make this the final report on it. But on March 31 actually one is modestly ahead. One is modestly behind but they are extraordinary managers it has not been -- it has been a tough period it's been a tough period to beat the S&P and like I say, one of them is now ahead of the S&P over that period, one is modestly behind once modestly behind. They've also helped us in just all kinds of ways. What Todd has done in connection with a medical initiative that we have with J.P. Morgan Amazon. I mean how many hours a week. He's worked totally on that. The things they brought to me. What Ted did in terms of the Home Capital Group where we have essentially in a major way what we stabilized a financial institution that was under attack and experiencing runs in Canada and he did the whole thing. I heard about that on a Monday and on Wednesday we put an offer before the company and previously to that they probably had dozens and dozens of people coming over them and meanwhile they were struggling. And it was remarkable what he did and I think it's appreciated in the Toronto area.

So we are enormously better off because the two are with us and while we have that measurement like I say, I'll just put it this way, they're doing better than I am anyway. So, if you asked me to report on them I'll have to report on myself all the time and I'm not -- that would be embarrassing compared to how they do they -- they do better -- they're very, very very smart. They've been smart with their own money over the years they've been smart in running other people's money over the years. And they've made us a lot of money but they made it during a market where they made a lot of money in the S&P as well. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Okay, Becky.

Q - Becky Quick {BIO 16400962 <GO>}

This question comes from Leiders Luff [ph], Yosis Luff [ph], and Dan Gorfung [ph] of Israel. And they write to both Mr. Buffett and Mr. Munger, "Do you think that AmEx's share of mind is enough to win the credit cards race? How you see AmEx's competitive position now compared to the past? And who is the most threatening competitor now compared to the past?

A - Warren Buffett {BIO 1387055 <GO>}

Yes, everybody's a competitor, and including now Apple. It has just instituted a card, I guess, in conjunction with Goldman Sachs. Everybody -- there will always be, in my view, many, many competitors in the business. Banks can't afford to leave the field. It's a growing field. They build up receivables on it. But I wouldn't think of the credit card business as a one-model business any more than I would think of the car business as essentially being one model. I mean, Ferrari is going to make a lot of money, but they're going to have just a portion of the market. Well, AmEx is growing around the world with individuals, it's growing around the world with small businesses. You just saw the contract they made with Dell -- which is probably the ideal partner -- that runs, what, for eight or nine, whatever it may be, nine or 10 years, actually. The billings go up per capital, they go up -- the coverage spreads. And they're going to have loads of competition, and they always will. But they had -- that's something JPMorgan took on the Platinum Card and it was a competitor and the Platinum Card had the highest renewal rates that they've had. And they increased the price I think from \$450 to \$550 during a competitive battle, and retention improved, and new business improved, and 68% or so of the new business was millennials. I mean, it is a -- it is not an identical product with anything else. And as a premium card, it has a clientele which is large. It may only be -- it may be X% of the market, it may be three-quarters of X%, or whatever it may be. It isn't for the person that likes to have five cards and look every day at which one provides the most rewards that day or in what gas stations or something of the sort. But it's got a very large constituency that has a renewal rate, a usage rate, that's the envy of everybody else in the industry. So I like our American Express position very well. Charlie? Charlie I think they had a --

A - Charles Munger {BIO 1406508 <GO>}

I think we own the world as long as the technology stays the same.

A - Warren Buffett {BIO 1387055 <GO>}

We, it's an interesting thing.

A - Charles Munger {BIO 1406508 <GO>}

I have no opinion about technology. This year, the technology is not the whole thing, I mean, fortunately, if you look at credit card usage, there are a lot of different things motivating different people to use different -- various types of payment systems. And there are a lot of them, they are growing, they're -- that they're module and American Express is extraordinary operation. I think this year our share of the earnings -- by next year, our share of the earnings of American Express will be equal to the cost of our

position, we'll be earning 100% on, what that position cost us. And I think that we'll grow and I think the number of shares will go down and our interest will go up without us paying out a dime.

So it's a--

A - Warren Buffett {BIO 1387055 <GO>}

As you say, we own the world, if it doesn't change.

A - Charles Munger {BIO 1406508 <GO>}

Well, even for changes and the world has changed a lot. American Express Card was formed in 1850.

A - Warren Buffett {BIO 1387055 <GO>}

No, I'm telling you about WeChat.

A - Charles Munger {BIO 1406508 <GO>}

You can talk about, you can know about all kinds of competitors. But the American Express actually was an Express company formed in 1850 like I said by Wells Fargo of all people. And you know for a while they carried these big trench around valuables and then the railroads came along and that wasn't going to work very well anymore. So they went into traveler's checks. And it's a very interesting thing. In 1950 when I was living at 116th in Broadway they were down at 65th Broadway and they were the most important name in travel. They were synonymous with the integrity of their traveler's checks and the whole company in a record year for travel earned \$3 million, \$3 million, what a bond trader earns now in my lifetime. That's what they've done with -- and their hand going in was the traveler's check which is more or less disappeared. But the travelers -- the American Express, the power of that brand intelligently used going into the credit card business, where they entered much later in the Diners Club, later than Carte Blanche. But they came to dominate the luxury and the credit card business.

It's a fantastic story and I'm glad we own 18% of it. Okay. Jay. I'm actually going to ask something.

Q - Unidentified Participant

about Occidental Petroleum. I'm surprised it hasn't been asked yet. So Berkshire has committed to providing \$10 billion of financing in the form of an 8% preferred share and attached warrants for Occidental's proposed acquisition of Anadarko. This is the first time Berkshire has committed to such a large preferred share investment since the acquisition of Heinz in 2013. What did you find attractive about the Occidental deal in terms of its business? And should we expect other large financing transactions in the future, as a way for Berkshire to deploy a portion of its excess cash?

A - Warren Buffett {BIO 1387055 <GO>}

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I don't think the Occidental transaction will be the last one we do. There may be one, in a month, there may be one, three or four years from now, it won't be identical. I hope it's larger but the point is, we're very likely to get the call because we can do something that really I don't think -- no institution can do it. I mean, they've got committees, that they have to pass on it, and they want to have so-called MAC clauses, Material Adverse Changes. They want to do this and that. And if somebody wants a lot of certain money for a deal, they've seen that I can get a call on Friday afternoon and they can make a date with me on Saturday and on Sunday, it's done. And they absolutely know that they have \$10 billion and we're not going to tell them how to structure their transaction or do anything else. They've got it and there will be times in the future when something not identical but similar comes along, and we're the one to call. And I hope it's larger than \$10 billion. It could be we'll do in the next five years. It could be -- we'll do a lot of money, additional money and things similar to this, not identical. And it could be that nothing will happen. But if there are any \$10 billion or \$20 billion or maybe even \$50 billion two-day transactions, if there are any in the world, believe me, they'll think of Berkshire Hathaway for sure in terms of what number to call. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I like it.

A - Warren Buffett {BIO 1387055 <GO>}

I called Charlie as soon as we made the -- I called Ron Olson first because I was worried that he might have a conflict. And in about ten minutes, he had -- I told him we -- it had to be done by Monday night. And (inaudible) was being told the same thing by Occidental. And it was very late on Monday night, but all the papers were put in order. And Munger, Tolles [ph] was in Los Angeles, and Cravath was in New York, and I was in Omaha. And I didn't do that much Mark Ambert [ph] did a lot of the work. He was at work on Sunday on other things when I went down to meet with the Occidental people.

And it was the product of people who understood us, understood how we operate, and both with an incentive to put all the manpower necessary on the job. And like I say, I think their board of directors met at 10 o'clock on Monday night to approve it. But they could announce it Tuesday morning, and that's what they wanted to do. And with Berkshire, they could do it.

Okay, Station 6.

Q - Unidentified Participant

Good afternoon, my name's Tony McCall and I'm from Montgomery, Alabama. And my question is about your disciplined risk evaluation approach and how you balance that with the fact that perseverance and determination and grit are often necessary for success?

A - Warren Buffett {BIO 1387055 <GO>}

Well, I'm not -- I certainly like determination and grit in the -- with the people we work for. But we don't have any formula that evaluates risk, but we certainly make our own calculation of risk versus reward in every transaction we do. And that's true whether it's

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marketable securities, that's true whether it's private investments, that's true whether it's making an investment in a business.

And sometimes we're wrong, and we're going to be wrong sometimes in the future. You can't make a lot of decisions in this business without being wrong. But we don't think the procedure or the results would be changed favorably by having lots of committees and lots of spreadsheets and that sort of thing. It just -- If I had a group under me, they would try and figure out what I wanted the answer to be, and they would tell me what I wanted to hear. And I've watched that approach at 20 public companies. And what the CEO wants to do, they may spend a lot of time getting there, but the investment banker gets there, and the internal committees get there or the internal operations get there. The calculations are -- it's the same as the insurance business with (inaudible) gets calls on insurance deals, and you have to think through that deal.

The main thing is --yeah. Are you reasonably sure that -- what you're doing. And It gets past that hurdle. Then we go on to figure out the math of gain versus loss and how much loss we can afford to take in anything and we're willing to take what sound like large losses if we think that the rewards are more likely and proportional.

Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I got nothing. It's very disappoint we have no formulas around virtually. We don't sit down and write a bunch -- have people work till midnight. Calculating things and putting spreadsheets together at the hurdle rate is 15% or something. Having them all come out of 15.1 or 15.2 because that's what's going to happen. I mean it's going to be you're going to get the numbers you want to hear to an extreme degree.

The proposals we received from the investment world. I've got to tell you about one because it almost rates could go on when you see the proposition the other day and I'll disguise the numbers a little bit so nobody can pick it out. But it was a private company and we'll say it was earning \$100 million a year. But the seller of the business and the investment banker suggested that we should look at the earnings as being \$110 million a year because as a private company they had to pay their top people in cash which was expensed but we could pay them in stock options and things like that which weren't expensed or were explained. As not really counting and therefore we wouldn't report a \$110 million if we gave away something we didn't want to give away. But by essentially by sort of lying about our accounting we're going to add \$10 million to our earning and they wanted us to pay them because I couldn't do it and we could do it.

And therefore at this point they're losing me -- of course totally it's just astounding the accounting games that are played. All the adjustments are why the place should really be we'll be earning more than before it's a business we also had one that came in from a private equity firm and by a mistake we got the email that was sent to the manager from the email from the private equity firms that owned it to the manager in terms of making projections for it and they told him to add 15% because they said Buffet was discounted

by 15% or 20% anyway so just add 15% offset. That was conservatism. It's not an elegant business as Charlie will tell you.

Q - Unidentified Participant

You have any better stories? Charlie?

A - Warren Buffett {BIO 1387055 <GO>}

It's better enough. Andrew it's really very bad enough.

Q - Unidentified Participant

Thank you, Warren I think --

A - Unidentified Speaker

Why don't we want our leading citizens lying and cheating. Andrew

Q - Andrew Ross Sorkin {BIO 6340618 <GO>}

I believe it's my final question and admittedly it's a two parter but it's the same topic. Elon Musk says that Tesla will start to offer insurance for its cars and can price it better than its typical insurance company because of the data it collects from all the vehicles on the road. You've talked about the threat of autonomous vehicles on the insurance business but what about the threat to GEICO of automobile companies themselves getting into the insurance business. And on a very similar topic Tesla recently announced that they're shifting to an online only-sales model and several traditional auto dealerships are also reducing their property holdings as car buyers increasingly use smartphones and the Internet to shop for cars.

What does this portend for Berkshire Hathaway. Automotive?

A - Warren Buffett {BIO 1387055 <GO>}

Actually General Motors had a company for a long time called Motors Insurance Company and various companies have tried it. I would say that the success of the insurance company -- of the auto companies getting into the insurance business are probably about as likely as this success of the insurance companies getting into the auto business.

I worry much more about progressive than all of the auto company possibilities that I could see in terms of getting insurance business, it's not an easy business at all. And I would bet against any company in the auto business being any kind of an unusual success. The idea of using telematics in terms of studying people's drivers habits that's spreading quite widely and it is an important -- it is important to have data on how people drive, how hard they break, how much they swerve all kinds of things.

So I don't doubt the value of the data but I don't think that the auto companies will have any advantage to that. I don't think they'll make money in the insurance business. The -- using the Internet to shop for cars is like using the Internet for shopping for everything, it's

another competitor and there's no question that people will look for better ways that the gross margin on new cars -- on new cars is about 6% or thereabouts. So there's not lots of room in the game. But that's -- that will be a method and that will sell some cars. And there are -- it's another competitor. But I don't think it destroys the auto dealer who takes good care of the customers and is there to service the customers. It's not an-- Overwhelming threat but it's obviously something that's going to be around and we'll sell some cars. Charlie?

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A - Charles Munger {BIO 1406508 <GO>}

Again. Nothing.

A - Warren Buffett {BIO 1387055 <GO>}

Okay. Greg?

A - Gregory Abel {BIO 1416724 <GO>}

Warren, a lot of Berkshire's success over the years has come from the fact that you and Charlie have had the luxury of being patient, waiting for the right opportunities to come along to put excess capital work even if it has led to a build up of large amounts of cash on the balance sheet. This has historically worked out well for shareholders as you and Charlie have been able to take full advantage of the disruptions in equity and credit markets or special situations like we saw with the Occi deal to negotiate deals on terms that ultimately benefit Berkshire shareholders.

That said there is an opportunity cost attached to your decision to hold on to so much cash, one that investors have been willing to bear primarily by foregoing a return of excess capital as dividends and share repurchases as well as seeing lower returns on cash holdings. As we look forward how certain can we be that this will still be the case once you're no longer running the show, especially if Berkshire's returns are expected to be lower over time. And is it not more likely that the next managers of Berkshire will have to manage the eventual migration of Berkshire from an acquisition and investment platform to a returning capital to shareholders vehicle.

A - Warren Buffett {BIO 1387055 <GO>}

Well, that's certainly a possibility I mean that's a possibility under me, it's a possibility under the succession -- it's a question of can you invest truly large sums reasonably well, you can't do it as well as you can do small sums, so there's no question about that. But we will have to see how that works out over many years because certain years, lots of opportunities, huge opportunities present themselves and other years are totally dry holes. So it's not a judgment you can make in a one year period or a three year period it's certainly a judgment you can make over time though and I personally, my stake will have basically nothing but Berkshire in it, for some time as it gets dispersed to philanthropies and then I have a section in there which says, to the trustees in effect to manage it. I have a section in there that says, ignore the -- you're exempt from my standpoint from a law that trustees normally should diversify into all of that sort of thing and I want, the entire amount that they have, that they kept in Berkshire as they distributed over time to the philanthropies and I don't worry at all about the fact. I would like to have a very large sum

go to philanthropies and I don't worry at all about the fact that essentially will all be in Berkshire. I'm willing to make that decision while I'm alive which will continue for some years after I die. So I have a lot of confidence in the ability of Berkshire culture to endure and we have the right people to make sure that, that happens. I'm betting my entire net-worth on that. And that doesn't give me pause at all. I rewrite my will every few years, and write it the same way in respect to the Berkshire Holdings. Charlie?

FINAL

A - Charles Munger {BIO 1406508 <GO>}

I don't know what the index is. And I have always been willing to own just two or three stocks. And I have not minded that everybody who teaches finance in law school and business school teaches that what I'm doing is wrong. It isn't wrong. It's worked beautifully. I don't think you need a portfolio of every stocks if you know what you're doing. And I hope my heirs will just sit.

A - Warren Buffett {BIO 1387055 <GO>}

My heirs hope that I'll change my will. Okay, station 7.

Q - Unidentified Participant

Hi. Good afternoon, Mr. Buffett and Mr. Munger. My name is Bill He [ph], and I'm from Vancouver, Canada. You two make up an iconic duo. And growing up, I found your investment strategies very admirable. And so, my question is, how do you deal with conflicts when they arise between the two of you?

A - Warren Buffett {BIO 1387055 <GO>}

Are you implying personal conflicts in terms of doing something ourselves versus having Berkshire, do it? Or oh, between the two of you. I'm just in -- Charlie and I literally, and people find this hard to believe, but in 60 years we've never had an argument. We have disagreed about things and we'll probably keep occasionally disagreeing about this or that. But if you define an argument as something where emotion starts entering into it, or anger or anything of the sort, it just doesn't happen. I think that Charlie is smarter than I am, but I also think that there are certain things where I've spent more time on them than he has. And sometimes we both think we're right. And generally, I get my way because Charlie is willing to do it that way and he's never second-guessed me when things have been wrong. And I wouldn't dream of second-guessing him if he were doing something that was wrong -- that turned out to be wrong. We will never have a conflict, basically. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, the issue isn't how long -- how we get along, the issue isn't how we get along, the issue is how does the company going to work when we're gone? And the answer is fine. It's going to work fine.

A - Warren Buffett {BIO 1387055 <GO>}

We're lucky that, I ran into him when I was, about, 28-years old. And, we both worked in the same -- Grocery store and they grew up less than a block away from where I now live

FINAL

and everything but I did not know who Charlie Munger was until I was 28. But clearly we're in sync in how we see the world and we're in sync on business decisions. Basically, Charlie would do fewer things than I would but that's because I'm spending my time on us while he's designing dormitories or something and we both, keep busy in our own ways and we have a lot of fun dividing the labor like we do.

But you really, you really want to work I mean having the right partners in life, particularly the right spouse in life, but having the right partners in life is enormously important. I mean, it's more fun with a partner both in personal life and in business life and you probably get more accomplished too but you just have a better time, it would that be any fun to work in a room and make a ton of moneys trading around securities but never working with another human being.

So I recommend finding, well Charlie gave some advice in the movie finding, the best person will have viewers something like that sort of a limited objective.

A - Charles Munger {BIO 1406508 <GO>}

But it's not hard to be happy if you're a collector and don't run out of money. Collecting is intrinsically fun just think who, how many people who you know in your whole life who were collectors who didn't run out of money, who weren't happy collecting. We've been claiming all our lives. It's a very interesting thing there's always a new rock to be turned over -- it's interesting.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, and certainly, we've collected friends that make our lives better and that we have a good time with them. It's very important that who you select as your heroes or your friends. And I've been lucky in this I mean it was only because of a doctor named Eddie Davis and his wife that Charlie and I even met. But if you keep doing enough things, some will work out, very lucky and the best ones are ones that involve lifelong involvement with what other people that -- we've got some of our directors, and a number of our directors that that have had similar impacts on me so I recommend that you look for somebody better than you are and then try to be like they are.

A - Charles Munger {BIO 1406508 <GO>}

It's funny you know we've lost people along the way and I've lost one Secretary, I love my God she was so wonderful -- we'll never get another one, Becky is better, no, we had (inaudible) Mackenzie, he was a wonderful Chief Financial Officer. He's got the current incumbent is better. We've been very lucky. And maybe the shareholders will be lucky a few more times.

A - Warren Buffett {BIO 1387055 <GO>}

Okay. Station 8.

Q - Unidentified Participant

Hi, Warren. Hi, Charlie. My name is Jacob [ph]. I'm a shareholder from China and also a proud graduate of Columbia Business School. Thanks for having us here. My question is, our world is changing at a faster pace today versus 40 years ago and even more so going forward. Under this context, for each of us individually, shall we expand our circle of competence continuously over time? Or shall we stick with the existing circle for risk having a shrinking investment universe? Thank you.

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A - Warren Buffett {BIO 1387055 <GO>}

Well, obviously you should, under any conditions, you should expand your circle of competence.

A - Charles Munger {BIO 1406508 <GO>}

If you can.

A - Warren Buffett {BIO 1387055 <GO>}

If you can. Yes, and I've expanded mine a little bit over time. But..

A - Charles Munger {BIO 1406508 <GO>}

If you can't, you'd be pretty cautious.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, you can't force it. If you told me that I had to become an expert on physics or..

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A - Charles Munger {BIO 1406508 <GO>}

Dance maybe the lead in a ballet, Warren. That would be a sight.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, well. That's one I hadn't really.

A - Charles Munger {BIO 1406508 <GO>}

(Inaudible) now.

A - Gregory Abel {BIO 1416724 <GO>}

That's one you may be thinking about, but I -- it hadn't even occurred to me. But, it's ridiculous. That doesn't mean you can't expand it at all. I mean, I did learn about some things as I've gone along in a few businesses. In some cases, I've learned that I'm incompetent, which is actually a plus than you've discarded that one. But it doesn't really -- the world is going to change. And it's going to keep changing. It's changing every day. And that makes it interesting. And as it changes, certainly within what you think is your present existing circle, you have to you should be the master of figuring that one out or it really isn't your circle of competence. And if you get a chance to expand it somewhat as you go along, I've learned some about the energy business from Walter and Greg as we've

worked together, but I'm not close to their level of competence on it. But I do know more than I used to know. And so, you get a chance to expand it a bit. Usually, I would think normally your core competence is probably something that sort of fits the way the mind has worked. Some people have what I call a "money mind." And they will work well in certain types of money situations. It isn't so much a question of IQ. The mind is a very strange thing. And

FINAL

A - Warren Buffett {BIO 1387055 <GO>}

will have specialties, whether in chess or bridge. I see it in different people that can do impossible -- what seem to be impossible things. And they're really kind of, as Charlie would say, stupid in other areas. So just keep working on it. But don't think you have to increase it and therefore start bending the rules. Anything further, Charlie?

A - Charles Munger {BIO 1406508 <GO>}

No.

A - Warren Buffett {BIO 1387055 <GO>}

Station nine. We're just about -- yes, we got time for a couple more.

Q - Unidentified Participant

My name is John Dorso, and I'm from New York. Mr. Buffett, you've said that you could return 50% per annum, if you were managing a \$1 million portfolio. What type of strategy would you use? Would you invest in cigar buds i.e. average businesses at very cheap prices? Or would it be some type of arbitrage strategy? Thank you.

A - Warren Buffett {BIO 1387055 <GO>}

It might well be the arbitrage strategy, but in a very different, perhaps, way than customary arbitrages, a lot of it. One way or another, I can assure you, if Charlie was working with a million, or I was working with a million, we would find a way to make that with essentially no risk, not using a lot of leverage or anything of the sort. But you change the \$1 million to a \$100 million and that 50 goes down like a rock. There are little fringe inefficiencies that people don't spot and you do get opportunities occasionally to do. But they don't really have any applicability to Berkshire. Charlie?

A - Charles Munger {BIO 1406508 <GO>}

Well, I agree totally. It's just you used to say that large amounts of money, they develop their own anchors. You're just -- it gets harder and harder. I've just seen genius after genius with a great record and pretty soon they got \$30 billion and two floors of young men and away goes the good record. It's just the way it works. It's hard as the money goes up.

A - Warren Buffett {BIO 1387055 <GO>}

When Charlie was a lawyer, initially, I mean, you were developing a couple of real estate projects. I mean, if I really want to make a million dollars -- or 50% on a million -- and

you're willing to work at it -- that's doable. But it just has no applicability to managing huge sums. Wish it did, but it doesn't.

A - Charles Munger {BIO 1406508 <GO>}

Yes. Lee Louley using nothing but the float on his student loans, had a million dollars, practically, shortly after he graduated as a total scholarship student. He found just a few things to do and did them.

A - Warren Buffett {BIO 1387055 <GO>}

Okay, Station 10.

Q - Unidentified Participant

Hello, Warren and Charlie. I'm Louis Cobo [ph] from

A - Unidentified Speaker

I'm a proud Berkshire Hathaway shareholder since 10 years ago. And I've been looking at (inaudible) I am pretty good fan of them. And I see Charlie's as a well through our meaning. And even with all our consumption and you know the company has given us generous profits over the past decades. Why do you think the company has not grown to the scale of Mars or Hershey's and what do you think we could do to make this company grow and become a bigger part of our company being such an amazing product.

Q - Unidentified Participant

Well we probably have a dozen or so ideas over the years and we used to really focus on it because there was much more sizable part of our business in Vegas, practically our only business is IBM insurance and like I say we've had 10 or 12 ideas some of them we've tried more than once and as we've got a new manager they've tried them and -- though those none of them really work and the business is extraordinarily good in a very small niche box chocolates are something that everybody likes to receive or maybe give it as a gift. Both sides of it. And relatively few of the people go on, buy it and consume themselves. If I leave a box of chocolates open at the office, we want to get 25 people. but it's gone. Almost immediately, if I take it as a gift to somebody they're happy to get it that and if you leave the box open at a dinner party again they're all gone. But those same people that so readily grab it when it's right there in front of them do not walk out to a candy store very often and buy, just to eat themselves they're not going to buy it.

It's very much a gift product, it does not grow worldwide, very interesting thing, people in these last time I checked people in the West prefer milk chocolate, the people in the east prefer dark chocolate, people in the West like big chunky pieces, people in the east will take miniatures and it's -- we've tried to move it geographically many, many, many times because it would be so wonderful that when it works it works wonderfully. But it doesn't travel that well, if we open the store in the east we get enormous traffic for a while and everybody says we've been waiting for you to come. And then it finally, we end up with a store that does X pounds per year when we need 1.5X in the same square footage to make terrific returns. And--

A - Warren Buffett {BIO 1387055 <GO>}

we've tried everything because the math is so good when it works. And overall, we have a business that doesn't -- doesn't grow on chocolate consumption generally doesn't grow that much. But yes, go ahead Charlie..

A - Charles Munger {BIO 1406508 <GO>}

Yes, well, we failed in turning our little candy company into Mars or Hershey's for the same reason that you failed to get the Nobel Prize in physics and achieve immortality. It's too tough for us.

A - Warren Buffett {BIO 1387055 <GO>}

But we put \$25 million into it and it's given us over \$2 billion of pretax income, well over \$2 billion. And we've used it to buy other businesses. And if we were the typical company and had bought that business and tried desperately to use all the retained earnings within the candy business, I think we'd have fallen on our face. I think -- it just illustrates that all these formulas, you learn or that having a strategic plan to use all the capital or something -- some businesses work in a fairly limited area. Others really play out over this -- Dr. Pepper, has -- I don't know what the percentage is now, but it might be at 10% or 12% market share or something like that in Dallas or maybe it's 8%. And then you go to Detroit or Boston then it's less than 1%. I'm not sure about the numbers currently. But you'd think in a mobile society with Dr. Pepper having been around since the time that Coke was founded in 1886 -- it's amazing how certain things travel, certain things don't travel. Candy bars -- you mentioned Hershey -- I mean, Cadbury doesn't do that well here and Hershey doesn't do that well in the UK and here we are, we all look alike. But somehow, we eat different candy bars. It's very interesting to observe and the idea that you have some formula for businesses that provide that each one should pursue the course they're on because they made it in X, they should try to find other ways to make it in X. We're quite willing to find it in A, B, C, D, E, or F -- the money is fungible. And I think, actually, it has worked very much to our advantage to have that philosophy. So, anything further, Charlie?

A - Charles Munger {BIO 1406508 <GO>}

I once told a very great man at dinner after he'd written a very great book, I said, you're never going to write another great book like that. And he was deeply offended. And I've read his four subsequent books and I'm totally right. To write one great book is a lot to do in one lifetime. And people aren't holding back on you when they don't do more. It's hard-

A - Warren Buffett {BIO 1387055 <GO>}

It's hard. But you ought to make the most of the first one you got.

A - Charles Munger {BIO 1406508 <GO>}

Yes.

A - Warren Buffett {BIO 1387055 <GO>}

Yes, you're lucky.

A - Charles Munger {BIO 1406508 <GO>}

Yes.

A - Warren Buffett {BIO 1387055 <GO>}

And we were very fortunate. I would've blown the chance to buy See's Candy, but Charlie said, "Don't be so cheap," basically. And we still got it at a pretty good price. And we learned a lot..

A - Charles Munger {BIO 1406508 <GO>}

It's amazing how much we've learned over the years.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah, we've learned..

A - Charles Munger {BIO 1406508 <GO>}

And if we hadn't, the record would be so much worse.

A - Warren Buffett {BIO 1387055 <GO>}

Yes.

A - Charles Munger {BIO 1406508 <GO>}

At any given time, what we already knew was not going to be enough to take us to the next step. That's what makes it difficult. Think of all the people you know that have tried to take one extra step and have fallen off a cliff.

Well, on that happy note, we will conclude the meeting. Thank you, but save some of it for next year. We may need it then. Just give us a carry-forward on the rest of it, and thank you. We'll come back at 3:45. We will conduct the business meeting, and it doesn't -- we have no -- nothing on the proxy to vote on, but we will be back here in 15 minutes. And if you enjoy our process, you can stick around and watch us re-elect our board. Thank you. Thanks for coming.

A - Unidentified Speaker

On the other hand, if you asked me how I would vote on Brexit if I lived in Britain, I don't even know. It just strikes me as a horrible problem. And I'm glad it's theirs, not mine.

A - Warren Buffett {BIO 1387055 <GO>}

But if I called you tomorrow and said we had a deal in U.K., you'd tell me --

A - Charles Munger {BIO 1406508 <GO>}

Oh, I would go in, in a minute.

A - Warren Buffett {BIO 1387055 <GO>}

Yeah.

A - Charles Munger {BIO 1406508 <GO>}

Those are my kind of people. I understand them.

Q - Unidentified Participant

People tend to forget about this, and it's also thanks to Europe that we have this wonderful big exchange market like you actually benefited in the US. I mean the wonderful success of Warren Buffeett comes from an open society of 330 million people. Okay, I think that we're going to have to leave at that because my understanding of the business meeting is about to begin. It's just started, so let's go back to the arena.

A - Unidentified Speaker

Yes, I do. As indicated in the proxy statement that accompanied the notice of this meeting that was sent to all shareholders of record on March 6, 2019, the record date for this meeting, there were 724,765 shares of Class A Berkshire Hathaway common stock outstanding, with each share entitled to one vote on motions considered at the meeting, and 1,371,697,551 shares of Class B Berkshire Hathaway common stock outstanding, with each vote entitled to 1/10,000th of one vote on motions considered at the meeting. Of that number 503,181 Class A shares and 839,707,642 Class B shares are represented at this meeting by proxies returned through Thursday evening, May 2nd.

A - Warren Buffett {BIO 1387055 <GO>}

Thank you. That number represents a quorum and we will therefore directly proceed with the meeting. First order of business will be a reading of the minutes of the last meeting of shareholders, and I recognize Mr. Walter Scott, who will place a motion before the meeting.

A - Walter Scott {BIO 1388841 <GO>}

I move that the reading of the minutes of the last meeting of shareholders be dispensed with and the minutes be approved.

A - Warren Buffett {BIO 1387055 <GO>}

Do I hear a second?

A - Ronald Olson {BIO 521861 <GO>}

I second the motion.

A - Warren Buffett {BIO 1387055 <GO>}

Motion has been moved and seconded. We will vote on the motion by voice vote. All those in favor say aye.

A - Unidentified Speaker

Aye.

A - Warren Buffett {BIO 1387055 <GO>}

Opposed? The motion's carried. Next item of business is to elect directors. If a shareholder is present and who did not send in a proxy or wishes to withdraw a proxy previously sent in, you may vote in person for the election of directors and other matters to be considered in this meeting. Please identify yourselves to one of the meeting officials in the aisles so that you can receive a ballot. I recognize Mr. Walter Scott to place a motion before the meeting with respect to election of directors.

A - Walter Scott {BIO 1388841 <GO>}

I move the Warren Buffet, Charles Munger, Greg Abel, Howard Buffet, Stephen Burke, Susan Decker, William Gates, David Gottesman, Charlotte Guyman, Ajit Jain, Thomas Murphy, Ronald Olson, Walter Scott, and Meryl Witmer be elected as directors.

A - Warren Buffett {BIO 1387055 <GO>}

Is there a second?

A - Ronald Olson {BIO 521861 <GO>}

I second the motion.

A - Warren Buffett {BIO 1387055 <GO>}

It's been moved and seconded that Warren Buffett, Charles Munger, Greg Abel, Howard Buffett, Steve Burke, Susan Decker, Bill Gates, David Gottesman, Charlotte Guyman, Ajit Jain, Tom Murphy, Ron Olson, Walter Scott, and Meryl Witmer be elected as directors. Are there any other nominations? Or any discussion? The nominations are ready to be acted upon. If there are any shareholders voting in person they should now mark the ballot on the election of directors and deliver that ballot to one of the meeting officials in the aisles. Ms. Amick, when you are ready you may give your report.

A - Becki Amick

My report is ready. The ballot of the proxy holders in response to proxies that were received through last Thursday evening, cast not less than 543,703 votes for each nominee. That number exceeds a majority of the number of the total votes of all Class A and Class B shares outstanding. The certification required by Delaware law of the precise count of the votes will be given to the secretary to be placed with the minutes of this meeting.

A - Warren Buffett {BIO 1387055 <GO>}

Thank you, Ms. Amick. Warren Buffett, Charles Munger, Greg Abel, Howard Buffett, Steve Burke, Susan Decker, Bill Gates, David Gottesman, Charlotte Guyman, Ajit Jain, Tom Murphy, Ron Olson, Walter Scott, and Meryl Witmer have been elected as directors. We now have a motion from Walter Scott.

A - Walter Scott {BIO 1388841 <GO>}

I move the meeting be adjourned.

A - Warren Buffett {BIO 1387055 <GO>}

Is there a second?

A - Ronald Olson {BIO 521861 <GO>}

I second the motion.

A - Warren Buffett {BIO 1387055 <GO>}

A motion to adjourn has been made and seconded. We will vote by voice. Is there any discussion? If not, all in favor say aye.

A - Unidentified Speaker

Aye.

A - Warren Buffett {BIO 1387055 <GO>}

All oppose, say no. This meeting is adjourned. Thank you all. I hope I see you next year.

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