

BUFFETT PARTNERSHIP, LTD.  
810 KIEWIT PLAZA  
OMAHA 31, NEBRASKA

December 24, 1962

To All Limited Partners:

The following tax information is very important and should either be clearly understood by you if you prepare your own return or given to your tax advisor if he prepares your return.

- (1) If you have received any distributions from the partnership during the year, disregard such amounts for federal income tax purposes.
- (2) All items which should be included on your federal income tax return will be sent to you by the 20th of January either by me or directly from our auditors. You will be informed as to the proper handling of these items on your return. Do not file your tax return until you have this information.
- (3) Nebraska residents need not report their interest in the partnership on their Nebraska Personal Property Return. The Partnership pays personal property taxes directly; the individual partners do not need to pay them.
- (4) If potential income from the partnership (say 15% or 20% of your equity at market value) is a significant portion of your total income, the safe course to follow in preparing 1963 quarterly estimates is to pay on the basis of your actual 1962 tax. This will avoid possible penalties for underestimating. You are liable on your quarterly estimates for your proportionate share of partnership income. If your estimate for the current year is the same as the actual tax paid for the preceding year, you cannot be penalized for underestimating.

If you have any questions at all about this information, be sure to let me know.

During January you will receive the following items from us:

- (1) A copy of the audit report prepared by Peat, Marwick, Mitchell & Company.
- (2) Complete tax figures as mentioned above.
- (3) A statement as to the market value of your interest on January 1, 1963, giving effect to additions and withdrawals, if any, in the early days of January.
- (4) My inimitable annual letter.

Since my letter of November 1st, the stock market has moved substantially higher; therefore, our margin of superiority over the Dow has narrowed somewhat. Currently, the over-all return from the Dow is about minus 8 1/2%. I would estimate our position at approximately plus 11 1/2 %. Giving effect to the allocation to the general partner, this means the limited partners are plus approximately 10% before monthly payments. If prices remain the same at yearend, partners who have withdrawn at the rate of 1/2 of 1% monthly will have capital accounts approximately 4% above the figure at the beginning of the year.

All commitment letters become absolutely final on December 31st. Should you wish to modify this letter in any way, it is essential that you contact me either in writing or verbally before the close of business on the 31st.

Cordially,

Warren E. Buffett