

BUFFETT PARTNERSHIP, LTD.

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WARREN E. BUFFETT, GENERAL PARTNER
WILLIAM SONTZ

P. L. C.
By H. B.
November 6, 1963

To My Partners for 1964:

Enclosed is the usual assortment of Thanksgiving reading material:

- (1) Two copies of an amended partnership agreement for 1964. The one with the General Provisions attached is to be kept by you (exactly the same as last year) and the other single-page agreement is to be signed, notarized and returned to us. Partners in Omaha may come in and obtain the notarization at our office.
- (2) A copy of that priceless treatise, "The Ground Rules." I would like every partner to read this at least once a year, and it is going to be a regular item in my November package. Don't sign the partnership agreement unless you fully understand the concepts set forth and are in accord with them--mentally and viscerally.
- (3) Two copies of the commitment letter for 1964, one to be kept by you and one returned to us. You may amend this commitment letter right up to midnight, December 31st, so get it back to us early, and if it needs to be changed, just let us know by letter or phone.

Any withdrawals will be paid immediately after January 1st. You may withdraw any amount you desire from \$100 up to your entire equity. Similarly, additions can be for any amount and should reach us by January 10th. In the event you are disposing of anything, this will give you a chance to have the transaction in 1964 if that appears to be advantageous for tax reasons. If additions reach us in November, they take on the status of advance payments and draw interest at the rate of 6% until yearend. This is not true of additions reaching us in December.

Complete tax information for your 1963 return will be in your hands by January 25th. If you should need an estimate of your tax position before that time, let me know and I will give you a rough idea. We will also send out a short letter on taxes in late December.

At the end of October, the overall result from the Dow for 1963 was plus 18.8%. We have had a good year in all three categories, generals, work-outs and controls. A satisfactory sale on a going concern basis of Dempster Mill Manufacturing operating assets was made about a month ago. I will give the full treatment to the Dempster story in the annual letter, perhaps climaxed by some lyrical burst such as "Ode to Harry Bottle." While we always had a built-in profit in Dempster because of our bargain purchase price, Harry accounted for several extra servings of dessert by his extraordinary job. Harry, incidentally, has made an advance payment toward becoming a limited partner in 1964--we consider this the beginning, not the end.

However, 1963 has not been all Dempster. While a great deal can happen the last two months and therefore interim results should not be taken too seriously, at the end of October the overall gain for the partnership was about 32%. Based on the allocation embodied in our agreement, this works out to plus 25 1/2% for the limited partners before monthly payments to those who take them. Of our approximate \$3 million gain, something over \$2 million came from marketable securities and a little less than \$1 million from Dempster operating assets. The combined gain from our single best general and best work-out situation approximated the gain on the Dempster operating assets.

You should be aware that if our final results relative to the Dow for 1963 are as favorable as on October 31st, I will regard it as an abnormal year. I do not consider a 13.2 percentage point margin to be in the cards on a long term basis. A considerably more moderate annual edge over the Dow will be quite satisfactory.

Cordially,



Warren E. Buffett

WEB:bf

P/S Last year we announced there would be no prizes for the last ones to get the material back to us. This continues to be our policy. Save us some last minute scurrying by getting your agreement and commitment letter back pronto. Give Bill or me a call if we can be of any help. Thanks!