

BUFFETT PARTNERSHIP, LTD.

610 KIEWIT PLAZA
OMAHA, NEBRASKA 68101

~~CONFIDENTIAL~~

WARREN E. BUFFETT, GENERAL PARTNER
WILLIAM SCOTT
JOHN H. FARRINO

November 1, 1966

To My Partners for 1967:

Enclosed is the usual packet of light reading for the fall semester:

1. Two copies of the Commitment Letter for 1967, one to be kept by you and one to be returned to us. You may amend the Commitment Letter right up to midnight, December 31, so get it back to us early and, if it needs to be changed, just let us know by letter or phone. Commitment Letters become absolutely final on December 31 -- there can be no exceptions to this rule since I turn them over to Peat, Marwick, Mitchell & Co. at that time.
2. A tax letter giving my best present estimate of how the picture will look at yearend regarding 1966 realized investment transactions.
3. A copy of my annual sermon, "The Ground Rules." This should be read -- slowly -- before you execute your Commitment Letter. We should vibrate on the same frequency regarding the fundamental matters outlined therein. If we don't, we should not be in partnership together.

Any withdrawals will be paid January 5. You may withdraw any amount you desire from \$100 up to your entire equity. Similarly, additions may be for any amount and should reach us by January 10. In the event you are disposing of anything, this will give you a chance to have the transaction in 1967 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 six percent until yearend. Additions reaching us in December do not draw interest.

Because the door has been shut regarding new entrants (unless they have something to contribute to the partnership other than simply capital), several partners have inquired regarding friends or relatives contributing indirectly through the present partner's account. General Provision 9 of

our Partnership Agreement prohibits such arrangements. A Ruling Letter issued by the Treasury Department in 1961 finds that we are a partnership rather than an association taxable as a corporation, but a condition attached to that Ruling Letter is that we act in accord with our Partnership Agreement as submitted to them. We have always done this. Furthermore partners acquiescing to such an indirect arrangement might find themselves in awkward, tedious and perhaps contentious proceedings if such untoward events as death, disappearance, divorce, tax examinations, etc. occurred. For these and other reasons, it is most important to you and the partnership that you contribute no funds on behalf of others.

We continue to enjoy a better than average year but the second half has proven much more difficult than the first half. Our general market securities "relatively undervalued" category, which substantially outperformed the Dow through June, has performed somewhat worse than the Dow since that time. Our much smaller investment in workouts has done well, approximately offsetting this poor comparative performance in "generals - relatively undervalued." Combining all categories leaves our margin over the Dow a shade better than the seventeen percentage points reported at midyear. If this advantage persists through yearend, it should be regarded as decidedly better than expected and partially the reflection

the quality of the assets involved, and the fact that the Federal Income Tax basis applicable to the net assets substantially exceeds our valuations,