

BERKSHIRE HATHAWAY

Wise words from Warren Buffet and Charlie Munger



Berkshire Hathaway's Annual Shareholders Meeting was held on May 3, 2008 in Omaha, Nebraska. Thirty one thousand people appeared, to a cult like gathering, to hear the all-time greatest investor in the world share his wisdom.

The meeting started at 8:30 in the morning with a professionally produced one-hour movie about the company, with a humorous and serious look at the financial and political circumstances of today. Included was a cartoon of Charlie Munger for President, creating a new Financial Independent Party. Warren Buffett will be Secretary of Commerce, head of the Treasury and the Federal Reserve. Bill Gates will be Secretary of Technology. The Geico Gecko will be Secretary of the Environment and Mary See, founder of See's Candies, will be Secretary of Health. They've got my vote!

The following five hours were open questions to Warren Buffet (Chairman) and Charlie Munger (Vice-Chairman). The business meeting was held at 3:00pm and lasted less than five minutes (approval of last year's minutes and a vote for the new Directors).

Any question could be asked of Warren and Charlie. Except two! What are we buying, and what are we selling, were both off limits. Everything else was fair game! People traveled from around the world to pursue their queries. Some waited outside the arena from 2:00 am to assure a spot at the microphone. These are the people who treasure \$125,000 per share stock of BRK.

From business to personal, investment and management, religion as well as fitness, questions of all types were thrown at them. In a most remarkably relaxed, unguarded manner, these two gentlemen responded, as down to earth and in love with what they do, their insights, quips and opinions captivated the room.

Stocked with supplies from their newest acquisition, Mars Candies, and a cooler full of their long-time money maker, Coca Cola, the questions began . . .

CALIFORNIA: What kind of returns can we expect in the future?

We are happy to have lower returns in the future than what we have had in the past, and we think you should adopt the same attitude.

CALIFORNIA: We have watch the two of you eat candy and drink Coke all day. Seeing that you are 77 and 84 years old, what is your secret to maintaining good health?

Love what you do! There is no reason to look at the minuses in life. There is no debt associated with wonderful people. Choose a job that you would pay to have.

GERMANY (student) : I just graduated from college. What is your advise on what I should do with the rest of my life?

Find your passion. Go to work for someone you admire. Get the right spouse

NEW YORK: How do you get over being introverted? How would you help someone get outside of themselves?

Stand on tables in front of other people. It works! I had that problem. I signed up for a Dale Carnegie course, and still went back to my hotel room and put a stop payment on the check. To communicate well is the best advantage. I highly recommend the Carnegie courses, which I finally took. Also, get with others who have the same problem. It is so much easier seeing others with the same challenges.

IOWA: How do you use options when you buy stocks?

We don't. We just buy or sell companies. Options turn the markets into gambling parlors.

GERMANY: What are the pitfalls of giving money?

Never trade reputation for money. If you give money to those causes you personally believe in, there are no pitfalls.

NEW YORK: If you had a small amount of money, one million dollars, how would you invest it?

This would open up thousands of opportunities we do not have at Berkshire Hathaway being so large. I would buy miss-priced bonds. Both US and International. I would buy tax liens and small stocks. And if I did not have the time to research opportunities, I would put it all in a low cost index fund like Vanguard.

FLORIDA: What is the highest amount of your net worth you would invest in one deal?

Several times I have invested more than 75% of my net worth in a single deal. It would be a big mistake not to have 50% of your net worth in an idea of extraordinary circumstances. Diversification is for the know-nothing investor. Load up on as much of a good idea as you possible can.

TEXAS: I understand you made an investment from simply reading an annual report. Is that really true? Why no due diligence?

The company was worth \$100 billion and we could buy it for \$35 billion. There was nothing more we needed to know. What could millions of dollars of due diligence possibly determine in making that decision? That the company was worth \$95 billion? Or, \$102 billion? By the time we would go through the due diligence process, the deal could likely not exist anymore. Companies come to us because we can make quick decisions. We know what we are looking for, and we can usually act within a day. It's an intrinsic value decision.

“Diversification is for the know-nothing investor.”

— Warren Buffet

ALABAMA: Have you accepted Jesus Christ as your personal savior?

No. I am agnostic. So I have not experienced that.

NEW YORK: Which Berkshire Hathaway company spends the most on advertising?

Geico. \$700 million annually.



MINNESOTA: Who are the people who have had the biggest influence on you?

My father, my wife Mary, Ben Graham, and Dave Dodd. The most important thing we do is how we raise our children. And if you get the right spouse, you have doubled-down.

ILLINOIS: Why did you buy Wrigley?

A brand is a promise. Predictable products mean predictable profits. I don't think the Internet will change the way people chew gum. Runaway leaders are value investments.

GERMANY: How do you determine if a stock has the right value?

I don't. I price companies as a business, not as a stock. I look at the intrinsic value of the business, even if there is no market.

WASHINGTON: How do you know in one hour if someone is a good manager to hire?

I cheat. I buy good companies that come with good managers. It is my job to keep them. Keep them enthused, excited and passionate. Keep them loving the business, not the money. I would choose a good manager based on their performance and track record. I want to see passion in their eyes and that they are a good communicator.

Mrs. B worked at our Furniture Mart until age 103 when she retired. Then she died the next year. That is good advice to all managers.

CALIFORNIA: What is your fondest hope for Berkshire Hathaway?

1. Decent Performance.
2. Best home in the world for businesses (to sell to).
3. Best Corporate Culture.

NEBRASKA: Who are your successor candidates, and why did you choose them?

The Directors and I have chosen three potential successors. All are currently working running companies. They were chosen based on their ability, their integrity, and that they are already millionaires. I don't believe in CEO golden parachute contracts. Leaders have a moral duty to be underpaid. I want my successor to already be rich and passionate about what they do.

OMAHA: Charlie Munger

I have nothing more to add.

Berkshire Hathaway Companies Exhibiting at the Annual Shareholders Meeting

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| Acme Brick Company | CTB International | Iscar Cutting Tools | NetJets |
| Benjamin Moore & Company | Dairy Queen | Kirby Vacuums | The Pampered Chef |
| Boat US | Douglas Quickcut | Larson-Juhl | Precision Steel Warehouse |
| Borsheims Jewelry Store | Fechheimer Brothers Company | Mars Candies | See's Candies |
| Business Wire | Forest River | Medical Protective Company | Shaw Industries |
| Campbell Hausfeld | Fruit of the Loom | Midamerican Energy/Home | TTI, Inc. |
| Carefree of Colorado | Garan | Services | Wayne Water Systems |
| Clayton Homes | Geico Insurance | Mitek | World Book Encyclopedias |
| Coca Cola Company | H.H. Brown/Born/Dexter | Nebraska Furniture Mart | |

Warren Buffet was rejected from Harvard Business School. (I bet the admissions people are kicking themselves now!)

