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LIVE BLOG: The Berkshire Hathaway Annual Meeting



Getty Images

The Berkshire Hathaway annual meeting, known as the “Woodstock for capitalists,” convenes today just one month after the surprise resignation of David Sokol, one of Warren Buffett’s top lieutenants.

Nearly 40,000 people are expected to pack into the Omaha, Neb., Qwest Center to hear Buffett and investing partner Charlie Munger talk about Sokol, the economy, the health of Berkshire Hathaway and everything else under the sun. People have flown in from as far away as Australia to take in the words of the Oracle of Omaha.

The Sokol scandal hangs over what tends to be a raucous, light-hearted affair. Buffett hasn’t commented on the matter since

announcing Sokol’s resignation on March 30—but pledged he will answer any and all questions today. **Your Deal Journal team will be live-blogging the day-long event in real time. You’ll almost be able to taste the See’s Candies.**

9:25 am | by Shira Ovide

Good mooorning, Omaha! We’re nearly packed to the rafters here at Omaha’s Qwest center. Here’s how the day’s festivities will go: first up starting at 9:30 ET, an hour-long jokey movie Buffett puts together every year with help of his daughter, and typically featuring a surprise celebrity or two.

Then Warren Buffett and Charlie Munger will take questions until 4:30 ET, with a break for lunch. Buffett will encourage everyone to spend lavishly at the exhibit hall stocked with Ginsu knives (from Berkshire owned Quikut), candies (from Berkshire owned See’s candies), cowboy boots (from Berkshire owned Justin Brands) and even houses (from Berkshire owned Clayton Homes)

9:31 am | by Shira Ovide

The movie is about to start! Warren Buffett (or his video screen counterpart) promises appearances from “a number of people you recognize.” He says the celebrities work for free, at the request of the notoriously stingy Buffett. “Surprise, surprise,” he says

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9:39 am | by Shira Ovide

Setting the scene: This year's movie is animated! A cyborg trading machine from the future threatens the earth, and the only person who can save the earth is Warren Buffett, with the help of a cartoon likeness the Governator himself, *Arnold Schwarzenegger*.

9:40 am | by Shira Ovide

This is the very definition of an easy room, as the comics say, but the guffaws are notably light for this intro cartoon featuring Gov. Arnold, the Geico Gekko and Mary See of See's Candies.

9:41 am | by Erik Holm

The movie recycles a lot of its material from year to year, so I can tell you already it will include a lot of commercials for Berkshire units like Geico and Helzberg Diamonds, clips of Buffett and Vice Chairman Charlie Munger acting silly, and a lot of inside jokes for the assembled crowd of Berkshire faithful.

9:43 am | by Erik Holm

It will be noteworthy if one particular clip is included again: Buffett's 1991 testimony before Congress about problems at Salomon Brothers. Buffett's testimony included some of his most famous pronouncements about business ethics, and it has been part of this morning movie for several years. Right now: a reel of a 20+ year old news story about the Berkshire Hathaway annual meeting.

9:45 am

Here comes the Burlington Northern Santa Fe ad. Today is a day long commercial: already we've seen the Geico Gekko, a Coke can, See's Candies, and cameos from other Berkshire-owned companies.

9:48 am | by Shira Ovide

A version of this BNSF ad also ran last year. Shots of the countryside. Sunsets. Stirring patriotic music. Harmonicas. Berkshire bought the railroad for \$27 billion, his largest deal ever, last year.

9:52 am | by Shira Ovide

Bankers taking the boot heel today: Scenes from last year's annual meeting. A shareholder trash talking bankers, Warren Buffett's favorite whipping boy. She says she wants Buffett to teach grads from Columbia University "the value of people rather than money." Big cheers from this crowd. That's at least the second time bankers got trashed this morning. The villain of the intro cartoon was the evil "MBA."

9:52 am | by Shira Ovide

Now we're seeing a shot of Buffett interviewing Henry Paulson at an event in Omaha last year. Buffett is citing a quote from President George W. Bush that Paulson included in his book. "If money doesn't loosen up, this sucker could go down." Buffett describes this as "being like the Gettysburg address -- short and to the point." Again, this clip is largely recycled from last year's meeting.

9:53 am | by Erik Holm

Also, a caveat: we can't hope to capture every detail of this day-long marathon, but we've heard Buffett and Munger speak often enough that we know when they're repeating themselves. Hopefully, we'll bring you a flavor for what's newsworthy and spare you a recap of the stock answers without leaving out something important.

9:55 am | by Shira Ovide

A trailer for the new financial crisis movie, based on the book "Too Big to Fail."

9:57 am | by Erik Holm

Still waiting for the Salomon Brother clip.

This year some critics have questioned whether Buffett is letting former top lieutenant David Sokol off easy after Sokol bought Lubrizol shares for his personal account before recommending that Berkshire buy the company outright. It seems to run counter to the edict from [the Salomon testimony](#):

“After they first obey all rules, I then want employees to ask themselves whether they are willing to have any contemplated act appear the next day on the front page of their local paper, to be read by their spouses, children, and friends, with the reporting done by an informed and critical reporter. If they follow this test, they need not fear my other message to them: Lose money for the firm, and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless.”

Catch it on YouTube: http://www.youtube.com/watch?v=O0R_9L_D2Yk

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10:01 am | by Shira Ovide

A clip of David Letterman handing out Dairy Queen treats to his late night audience. In case you haven't guessed, Dairy Queen is yet another Berkshire Hathaway company. And...REGIS! Letterman hands talk show host Regis Philbin a DQ Dilly Bar. (This is also a Buffett favorite.)

10:05 am | by Shira Ovide

MC Warren: Holy cow. A music video featuring Geico call center employees, and Buffett shows up in baggy orange pants and an oversized hat to sing a heavily Auto-Tuned hip hop song. Does Warren Buffett even know who [T-Pain](#) is?

10:09 am | by Shira Ovide

The mystery is solved. The clip of Buffett's Congressional testimony in the Salomon brothers scandal begins to roll. "The nation has a right to expect its rules and laws to be obeyed," Buffett intoned in 1991, after he rode to the rescue of the scandal-plagued firm. "And at Salomon, certain of these were broken. Almost all of Salomon's 8,000 employees regret this as deeply as I do. And I apologize on their behalf as well as mine.

10:10 am | by Shira Ovide

You could hear a pin drop in the arena when the Salomon Brothers testimony was rolling. And then wild applause. This was Buffett at his best. Haunting words in light of the Sokol scandal: "Lose money for the firm, and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless."

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10:11 am | by Shira Ovide

A sweet ad for Coke -- a big Buffett investment -- featuring a Coke vending machine on a college campus that spits out free coke bottles, hands flowers to pretty women, ties a balloon animal for one woman, and even gives a multi-foot-long submarine sandwich to a wild gaggle of college kids.

10:15 am | by Shira Ovide

An inside joke for the faithful: Buffett is introduced as the replacement for Michael Scott, the boss on "The Office." Berkshire Hathaway, "I think produces all of Anne Hathaway's movies," the clueless Michael Scott says in his intro.

A character asks Buffett for his secret elixir of youth. "Only Class A investors get the elixir." An inside joke that may have been the best applause line of the morning. At Berkshire, there are Class A shareholders, and the "Baby Bs," the less expensive Class B shares that Buffett started to give investors a shot at owning Berkshire stock. (Class A shares are around \$124,000 a pop.)

10:18 am | by Shira Ovide

The interminable clip of Buffett's "favorite things" -- a.k.a., the managers of Berkshire's myriad companies -- includes new investment manager Todd Combs but doesn't seem to include David Sokol. Looks like they got it re-edited.

10:22 am | by SHira Ovide

"Good morning. I'm Warren, he's Charlie," Buffett says as he trots on stage with investing partner Charlie Munger. Buffett says they're going to talk briefly about the "David Sokol/Lubrizol situation." He says, as he did earlier this week, that a transcription of any questions and answers about the Sokol matter will be put up online either tonight or tomorrow.

10:23 am | by Shira Ovide

Buffett intros the Berkshire board, and asks for investors to hold their applause until all the names are read, including Bill Gates's. "You can go crazy at the end...or you can withhold your applause." The shareholders opt for going crazy, or at least loud applause.

10:28 am | by Shira Ovide

Prelim earnings: Buffett, as expected, discloses an early snapshot of Berkshire 1Q earnings. Insurance earnings slipped badly to about \$131 million, down from \$1.2 billion a year ago. Total net earnings were \$1.51 billion, down from \$3.63 billion. Will likely have an insurance underwriting loss this year, the first time in nine years, Buffett says.

Pretty much all Berkshire businesses, save for those dealing with residential housing, are getting better, Buffett says. Buffett says the first quarter this year was "probably the second worst quarter for the insurance industry in terms of catastrophes" around the globe.

10:36 am | by Shira Ovide

A year to forget for the insurance business: Buffett said Berkshire's insurance business took \$1.67 billion in estimated first-quarter losses from earthquakes in Japan and New Zealand, floods in Australia and other catastrophes. "This may be a year that the reinsurers will remember, although they'd like to forget," Buffett says. For the first time in nine years, Buffett says, Berkshire is likely to have an insurance underwriting loss this year.

10:42 am | by Erik Holm

How this shindig works:

The Q&A about to start. Here's how the meeting works: For most of the day, Buffett and Munger will field questions on all manner of topics. Half will come unscreened from audience members who have assembled at microphones scattered throughout the arena. (These are the lucky winners of a lottery held just before the meeting to win the right to ask a question in front of 40,000 strangers.)

The other half of the questions will come from a panel of three reporters who have been collecting questions via email for several weeks. Buffett has said he aims to get through about 60 questions total. Let's see if the long-winded Buffett and his much more concise partner can reach their goal.

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10:49 am | by Shira Ovide

The room is rapt as Buffett begins to talk at length about David Sokol, the Berkshire executive who resigned last month and kicked off controversy about stock trades in a company Sokol urged Buffett to buy. Buffett makes the direct link between the Salomon Brothers scandal that enveloped him nearly 20 years ago and the Sokol case.

In his Salomon testimony to Congress, Buffett said "the phrase that came out of my mouth then was that what happened was 'inexplicable and inexcusable.'" Buffett said looking back at David Sokol's "failure to notify me at all" about the involvement of Citigroup bankers in deal talks to acquire Lubrizol, a chemicals company, "I don't think there's any question about the inexcusable part," Buffett says

10:56 am | by Shira Ovide

Buffett calls the Sokol matter "A situation that's sad for Berkshire, sad for Dave and inexplicable."

Buffett said he is baffled why David Sokol would buy Lubrizol stock before he encouraged Buffett to buy the company, a move that boosted Sokol's stock investment by \$3 million. He relays a story from 10 years ago, when Buffett was negotiating to buy Sokol-led MidAmerican. He said Sokol gave up the right to \$12.5 million worth of compensation, and instead said the money should go to a more junior MidAmerican executive, Greg Abel.

"I think 20 years from now, I will not understand what causes a man to voluntarily turn away \$12.5 million to an associate... and then 10 or so years later, buy a significant amount of stock a week before he talked to me" about Lubrizol, Buffett says.

10:59 am | by Shira Ovide

No surprise. The first shareholder question is about David Sokol. Earlier Buffett admitted for the first time to making a mistake: Not pushing Sokol harder in a January meeting about when he bought shares of Lubrizol. "I obviously made a big mistake not saying, 'Well when did you buy it?'" Buffett said.

11:02 am | by Shira Ovide

Citigroup reveal: For the first time, we learn that Citigroup's John Freund -- Buffett's Chicago-based broker -- was the first person to inform Buffett about Citigroup bankers' role in bringing the Lubrizol deal to Sokol. "That set off some yellow lights, at least," Buffett says. Buffett thought that Sokol's idea for buying Lubrizol was his idea, because Sokol had been a stockholder in Lubrizol.

11:15 am | by Shira Ovide

Buffett wasn't kidding when he said he would be completely open about the David Sokol controversy. He has now spoken at length through the entire timeline of what happened with Sokol.

Buffett said Berkshire turned over "every damning evidence, in my view" to the public and the SEC about Sokol's stock trades. He said people seemed to be bothered by a lack of outrage in [Buffett's letter a month ago disclosing Sokol's resignation](#) and disclosing that he had bought Lubrizol shares. Buffett said he felt if he laid out facts that were sure to "create problems for [Sokol] in years to come," he didn't want to ignore all the good works Sokol did for Berkshire during his career.

Charlie Munger pipes in to say that the press release "wasn't the most clever press release in the history of the world." But he said you don't want to write such things "in anger."

11:19 am | by Shira Ovide

Buffett's Body Language on Sokol:

Buffett doesn't appear openly angry, but there's a tinge of disappointment in his voice about the Sokol matter. He says Sokol had multiple opportunities, including in a CNBC interview immediately after his resignation was disclosed, to be more open about when and why he bought Lubrizol stock. Earlier this week in a CNBC interview, Buffett's daughter Susan described her dad as "disappointed" in the Sokol scandal, but eager to address it with investors.

11:22 am | by Shira Ovide

Buffett talks (and dodges) succession:

Good investor question via CNBC's Becky Quick: "How can you ensure there are no more Sokols in the lineup" of possible successors to Buffett as CEO of Berkshire Hathaway? Buffett at first says it's perhaps a dangerous assumption to think Sokol was on the short list of successors, but later he appears to concede that Sokol was indeed among the leading candidates.

Buffett says it is difficult to displace a sitting CEO who also owns a large chunk of the company, as Buffett does. He says as a safety measure, he plans to install his son, Howard Buffett, as non-executive chairman, and someone Warren says

will make sure the best interests of the company are looked after. Notice how Buffett doesn't really telegraph his possible successors. He never does.

11:29 am | by Shira Ovide

He's going to live forever? "If you were going to live another 50 years," a shareholder questioner asks, what industries do Buffett and Munger wish they could become experts in?

The 80-year-old Buffett says he likes the question, "particularly the preamble." And the forever young octogenarians, Munger and Buffett, do give an answer: technology or energy.

Tech is a big surprise. Buffett has practically been allergic to tech over the years, an aversion that even has withstood efforts of Buffett buddy Bill Gates.

11:34 am | by Shira Ovide

Explaining Buffett's Change of Heart on Lubrizol:

Question about why Buffett, who initially was very skeptical about buying Lubrizol, did a 180 and decided the company was attractive enough to buy for \$9 billion. Buffett said initially, "It struck me as a business I didn't know anything about." But Buffett said he became comfortable with the economics of the business, and with Lubrizol's leading market share as a provider of industrial chemicals and lubricants for big mechanical engines.

"They're helping engines run longer, run smoother. Lubricants are always going to be around," Buffett said.

He also added that he recently spoke to Lubrizol CEO James Hambrick, and despite the tumult surrounding the acquisition, Lubrizol is "very excited" about being part of the Berkshire cluster of businesses.

11:40 am | by Erik Holm

This doesn't mean that Berkshire stock is underpriced, right?

All three questions screened by the panel of journalists so far have been about Sokol and Lubrizol, but the three questions coming straight from the audience have been distinctly about other topics.

The latest question is about how to value Berkshire shares, and Buffett says something he doesn't always come right out and say: "We do not think that Berkshire is overpriced."

11:46 am | by Shira Ovide

USA Rules!

Buffett sounds a very optimistic tone about the state of the world economy and standards of living.

Buffett said he was born in August 1930, and "if somebody had come to me in the womb, and explained what the world was like right then " Great Depression, Dust Bowl -- "it would be like that Woody Allen movie, where he says, "Go Back, Go Back!"

But, Buffett says, "There's always been negatives -- the country always faces problems. We have a few lousy years from time to time.... But the power of capitalism is incredible. That's what is bringing us out of this recession."

11:47 am | by Erik Holm

Buffett's reluctance to dole out Berkshire stock:

Back during the question about Berkshire's stock price, Buffett said he recently passed on a potential acquisition of what I believe he described as a large overseas company because it would have required using Berkshire shares. His hesitancy about using shares is long-standing, but worth noting he did pay for BNSF a year ago partly with Berkshire stock.

Buffett also got in a dig at the standard way that most companies buy back their shares. Says Buffett: "Corporate America buys its stock more aggressively when it's high instead of when it's low. They may have an equation in mind that escapes my reasoning power."

11:50 am | by Shira Ovide

The Billionaires' Snacks:

Our mouths are watering from the cheap seats. In front of Munger and Buffett on stage is a box of See's Candies (Buffett owned company), a box of something that might be peanut brittle and a champagne-chilling bucket filled with a bottle of what we're guessing is soda. We'll flash the identity of the drink as soon as Buffett takes a swig. (We're willing to bet money that it's some kind of Coke product -- a big Buffett investment.)

11:52 am | by Shira Ovide

I'd Like to Buy the World a Coke:

Buffett says See's Candies has done well over \$300 million worth of business, with very little capital needed. That's a lot of [Nuts and Chews](#).

Also, vital update! Buffett takes a sip from a can of Coke. Not from the champagne bucket, though.

11:58 am | by Erik Holm

Candy Is a Sweet Business:

Buffett is describing an ideal business, and uses Berkshire-owned See's Candies as an example "as he often has in the past. When they bought it, it was doing about \$30 million of business a year, and now it's close to \$300 million, Buffett says. To grow it, they put in about \$30 million in investment to grow it to that size.

Since Berkshire bought it, See's earned Berkshire \$1.5 billion before taxes. And it has no receivables, few fixed assets, and does well even in an inflationary environment.

Buffett says they can't find many businesses like this.

Munger's self-deprecating comment is: "What's funny is, we didn't always know this. Buffett counters: And sometimes we forget it.

12:01 pm | by Shira Ovide

Buffett talks dividend:

Buffett says, at least for now, Berkshire won't pay a dividend on its stock, but he admits in the future if Berkshire growth flags, the company may consider it. We talked to one shareholder this morning who wanted to hear Buffett answer this very question.

Buffett says if Berkshire starts a dividend, it means the company has lost the ability to invest a dollar in a way that generates more than a dollar in return for Berkshire shareholders. "There will come a time " who knows how soon," Buffett said, "when we do not think we can lay out \$15 billion to \$20 billion a year and get something that's immediately worth more than that for our shareholders."

When that time comes, Buffett said, they will return the cash to shareholders. But Buffett warns that if Berkshire declares a dividend, the stock will fall because it's an admission that the company's growth has stalled.

Munger, the more rapier wit, chimes in to say there's nothing wrong with selling a share of Berkshire stock and buying some jewelry. Preferably from Buffett-owned Borsheim's jewelry store.

12:06 pm | by Shira Ovide

Praise for Jamie Dimon's letter writing:

Buffett-- whose annual stockholder letter has become a must read for millions of investors--commends the shareholder letter from J.P. Morgan Chase CEO Jamie Dimon. Buffett calls it a "tour de force" about banking. Deal Journal earlier this month blogged about the letter [HERE](#). Dimon, for what it's worth, wrote a whopping 16,973 words (excluding charts). That's 34% more verbose than [Buffett's most recent letter](#) to Berkshire Hathaway shareholders.

12:15 pm | by Shira Ovide

"In God We Trust" is false advertising:

Question about why Buffett doesn't own more gold or other commodities that have soared in value recently. He says he wants to own assets that are valued based on what it can produce, not on assets where rising prices create their own excitement. Over time, that has not been the way to get rich.

To explain, Buffett actually breaks out his wallet -- you're watching a historic event, Buffett quips -- might point out that this is a one-dollar bill.

Buffett point out the bill says "In God We Trust" on the back but that's really false advertising. If Elizabeth Warren, the head of the federal consumer protection bureau, were here, Buffett said, she'd say, "in government we trust." God isn't going to do anything about that dollar bill if the government does the wrong thing.

12:20 pm | by Erik Holm and Shira Ovide

Gold bugs, don't read this:

Buffett harps on and on about gold. He says it has no utility, and about how silly people are who are getting in now -- when gold prices are near nominal highs. "There's no question that rising prices...can start affecting behavior," Buffett said. "People like to get in on things that are rising in prices. Over time, it has not been the way to get rich."

He's listing all the things he'd rather have than all the gold in the world, because all you can do with gold is admire it or, as he says, "fondle it."

Munger repeats what he's said previously that gold investors are preying on fears. Gold is considered a safe haven investment, because investors tend to flock to buying gold assets when they're freaked out about the health of other assets and the economy.

12:29 pm | by Shira Ovide

Buffett defends the business model of the conglomerate--an umbrella, like Berkshire, for a mishmash of businesses. This idea is falling out of favor of late, as traditional conglomerates like ITT and Fortune Brands are breaking apart into smaller, more focused businesses. Buffett admits conglomerates are unpopular but says it can be a smart structure. (Note that two of the most valuable countries in the company by market value, General Electric and Berkshire, are indeed conglomerates.)

Buffett said one benefit of conglomerates is allowing the tax efficient transfer of money from businesses that don't have good ways of using it, into sister businesses that have better uses for it.

The go-go conglomerates think [Gulf and Western](#), folks operated a kind of perpetual motion machine to keep issuing their overpriced stock to buy lower-valued businesses, Buffett said. "Most of those companies, though, I think had very little relationship to Berkshire."

12:34 pm | by Erik Holm

Thank you, folks, I'll be here all week: The schtick of Warren Buffett:

A shareholder asks Buffett and Munger what they want to be remembered for in 100 years. Buffett says he wants to be remembered as old. Munger takes up the joke, and says he hopes someone at his funeral says "that's the oldest corpse I ever saw."

But then Munger turns serious, and references a relative's saying, about how he wants to be remembered for a fortune fairly won and widely used.

Buffett says he hopes to be remembered for what he taught people. It's something he enjoys, and he says he benefitted from some "fabulous teachers," starting with his father, then value investor Ben Graham, and through to current Berkshire board member Tom Murphy of Capital Cities fame.

Then back to the jokes. On Wilt Chamberlin's gravestone, he says, the inscription reads: "At last I sleep alone."

Classy, Warren. Classy.

12:37 pm | by Shira Ovide

Warren Buffett talks Greenback:

A question about what Berkshire is doing to protect against the fall of the dollar. Buffett in the past has bet against the U.S. dollar, but said he's lately been inactive in foreign exchange markets. "There's no question the purchasing power of the U.S. dollar will decline over time. The only question is at what rate, Buffett said. But other currencies will decline too, and he said he doesn't have strong feelings about which ones will decline faster or slower

Buffett ends by saying he'd rather be in the U.S. right now than any other place or any other time in history.

12:39 pm | by Erik Holm

Which to buy: Berkshire stock or a mutual fund?

A woman from Minnesota asks about investing in Berkshire versus a no-load mutual fund. Both Buffett and Munger say most investors are better off in an index fund than trying to pick stocks. Munger says that Berkshire would be good as a second investment.

Buffett chimes in: "Charlie's big on lowering expectations."

Munger shoots back: "Absolutely. That's how I got married."

12:47 pm | by Shira Ovide

Lessons learned from Sokol scandal:

Buffett says no matter how many rules Berkshire has in place to guard against improper stock trading or other improper employee actions, you can't completely safeguard against rogue activity.

One question that has swirled around Berkshire since the Sokol stock trading came to light is whether Berkshire needs to have more robust corporate governance procedures, or a bigger corporate staff to oversee the Berkshire companies. Now, Berkshire has just 21 people in corporate HQ "people who do everything from preparing the annual report to delivering Buffett his favorite hamburgers.

From the Sokol scandal, Buffett says, "We hope to get some value of this experience that will help us reinforce that we do mean business on this." He says Berkshire has "some pretty clear rules" and they'll be looked at again in light of the Sokol matter.

12:53 pm | by Shira Ovide

Munger must love Dodd-Frank:

Charlie Munger takes a hard line on the financial industry, saying that the country is "making a huge mistake not learning enough from the big mess that came from wretched excess" in the financial system. Munger says he advocates taking an "axe to our financial sector" and "whittling it down" to a smaller size.

He says the tax system should discourage trading of assets, and that securities trading shouldn't be left to the rapid-fire pace of computerized trading "what he said "amounts to legalized front running."

"He's getting warmed up," Buffett says.

12:56 pm | by Shira Ovide

Buffett declares a lunch break. But don't take a break on Deal Journal. We're like camels. No need for eating or drinking.

1:28 pm | by Shira Ovide

Sokol-Gate in the Rear View?

While Buffett shareholders stream out onto the concourse to conduct commerce from Berkshire-owned businesses, a small recap note. Buffett, as he said he would, addressed the Sokol scandal early and often to rapt attention from this partisan audience.

It'll be interesting to see how many more Sokol questions we get in the afternoon swath of festivities. The Sokol-related questions do seem to have petered out in the last hour or so. And as Erik pointed out earlier, the journalist-questioners were asking more Sokol questions than were the shareholders on the floor. Buffett told Fox Business Network earlier this week that it was the press, rather than Berkshire investors, who were most fixated on Sokol. Investors, Buffett said, want to hear more about how Berkshire is doing financially. So far the Oracle's prediction seems to be holding true.

2:05 pm | by Shira Ovide

The lawyer takes the mike:

We're just about to resume the festivities, folks. Buffett calls for everyone to take their seats. First, he calls for Ron Olson, the Berkshire lawyer, to "clarify" the timeline and details related to the Lubrizol/Sokol affair. This is all for the record, Buffett says, as there are two court reporters in the house transcribing all the Sokol questions and answers. Don't worry folks, nothing to see here. Onto the Q&A.

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2:17 pm | by Shira Ovide

Oil prices:

Commodities are the theme of the day. A woman from the floor asks about investments in oil, which have been creeping up to record high prices. Buffett, as he said earlier today, said he's reluctant to invest in oil prices because it's impossible to guess the direction of oil prices.

"I really think that an intelligent person can make more money over time in productive assets rather than speculating in commodities or in fixed dollar assets, Buffett says.

Also, we are amazed at Buffett's immediate recall of facts and figures. Buffett says off the cuff that there are something like 500,000 producing oil wells in the United States. How the 80-year-old Buffett can recall this fact is remarkable. We're lucky if we can find our keys every morning.

2:27 pm | by Shira Ovide

Did we fix too big to fail?

Buffett last year issued a "thank you" letter to America, praising taxpayers for the bailouts that saved Wall Street, and -- he conceded -- rescued his investments, too. Now, Buffett says the U.S. hasn't really solved the "too big to fail" problem -- or the risk of financial institutions growing so large and so important that the government can't let them topple.

Buffett said it's inevitable that the government may need to bail out some companies even if "people won't like it." But the price, he said, should be very high. The "problem will always be with us. For that reason you have to do things to reduce the *propensity* to fail," Buffett says.

How? CEOs of companies that need bailouts, and their spouses, should be left "dead broke," Buffett said. And the board should suffer too, he says.

2:29 pm | by Shira Ovide

Buffett Committed to Washington Post

Buffett says he won't be selling any shares of the Washington Post Company, the newspaper company in which Buffett has long owned a stake. Buffett stepped down from the company's board in recent months, but he emphatically said the departure had nothing to do with regulatory scrutiny of the Post Company's Kaplan for-profit education business. Buffett said, "I'm a phone call away from Don Graham," the CEO of the Washington Post Co., and the son of Buffett's longtime friend, the late Kay Graham.

2:34 pm | by Shira Ovide

Stock portfolio versus operating companies?

There are really two halves to Berkshire Hathaway: Its broad swath of operating businesses, and its massive investment portfolio of stocks, bonds and other securities. Which one is more important? "We are equally interested in both aspects of Berkshire's operations," Buffett said. But he says the place he really hopes to get "really get lucky is adding significant acquisitions" and having Berkshire portfolio companies do bolt-on deals.

"It's fun to do both actually," Buffett said.

2:45 pm | by Shira Ovide

It's obvious, perhaps, but still interesting to hear: Buffett says Berkshire will never be sold. Also he says the class A shares not likely to be split. Ever. (They're pricey -- about \$125,000 a pop.)

2:49 pm | by Shira Ovide

Praise for Berkshire Lieutenant:

Buffett offers his first praise of the day of Ajit Jain, who runs Berkshire's core reinsurance business. A shareholder wants to know whether Jain might be Buffett's successor, but he doesn't really answer this question. (Buffett never answers this question. But it is notable that two men previously mentioned as successors to Buffett-- David Sokol for the post of Berkshire CEO and BYD's Li Lu as chief investment officer -- now are out of the running. Being Buffett's successor is like being the drummer in Spinal Tap.)

"Ajit's mind works like a machine day after day," Buffett says. "He thinks of Berkshire first." Buffett says he could have left at any point for more money. Earlier, Buffett signaled his eventual successor would be completely above-board ethically. Is this a signal he's calling for Jain?

2:52 pm | by Shira Ovide

Sorry, AOL

Oh, Warren way to kick a company when it's already dead. In response to a question about the accounting treatment of goodwill, he takes a potshot at AOL Time Warner, perhaps the worst acquisition in corporate America.

3:04 pm | by Shira Ovide

Is Buffett Getting Impatient?

Munger was giving a lengthy answer in response to a request for a case study of a company that did something right, and a cautionary corporate tale of imprudent action. Munger, as Buffett predicted, begins with praise of Costco. After a few more examples, Buffett interrupts with a dark joke about a recent hijacking attempt of him and Munger.

Buffett digs in: When asked for last requests before they are executed, Munger says; "I'd like to give one more speech on the virtues of Costco, with illustrations."

And what's your last request, Mr. Buffett? "I said, 'Shoot Me First.'"

3:08 pm | by Shira Ovide

Say Goodbye to \$100k

Warren Buffett makes a salary of \$100,000 a year. Whoever takes over for him as Berkshire's CEO is going to make a whole lot more, he says.

"I think the next CEO will make a lot of money."

3:21 pm | by Shira Ovide

Does Buffett Have an Unfair Advantage?

Berkshire Hathaway doesn't muck about fighting over nickels and dimes with companies Buffett wants to buy. If an acquisition target wants to open itself up to multiple possible buyers, Buffett says no thanks. That's why Berkshire was the only suitor for Lubrizol before Berkshire reached a \$9 billion acquisition agreement. Typically, to ensure shareholders the best price possible, a company will offer itself for sale to multiple bidders.

Does this mean Lubrizol abdicated its duties to get the best deal for its shareholders?

Buffett and Munger say an emphatic NO.

Buffett said Lubrizol got a rich sale price, and Berkshire simply would have walked away from the acquisition if the company sought to auction itself. Munger is clearly annoyed at this question.

"Anybody else have an easy question?" Munger snapped.

3:28 pm | by Shira Ovide

Speed Isn't Everything:

A shareholder asks Buffett for advice to young people on how to read quickly. (Buffett is a voracious reader. He has said he reads five newspapers a day and lots of the voluminous corporate annual reports.) Buffett does admit now that he doesn't read as quickly as he once did, a rare admission of age-related weakness from the Oracle of Omaha.

"It's a huge advantage to be able to read fast," Buffett says, but says he doesn't really believe in speed reading courses or techniques.

Then the Oracle relays a joke from Woody Allen about Buffett's second reference today to the film director about how he speed read "War and Peace," leading to a not-great recall of the book. "It's about Russia," Allen jokes.

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3:32 pm | by Shira Ovide

Buffett: Don't Worry About the U.S. Debt

"The United States is not going to have a debt crisis as long as the country issues notes in its own currency, Buffett says. He also proclaimed to have little patience for the bare-knuckle debates in Washington over whether to raise the ceiling on U.S. debt levels.

"It seems such a waste of time," Buffett said. In the end, he says, "there's no chance that they don't increase the debt ceiling." And Buffett said he'd like to see Washington eliminate the ceiling altogether because it leads to periodic political showdowns that can cripple the federal government.

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3:35 pm | by Shira Ovide

Buffett on Nukes

There have been question marks about the future of nuclear power since the crisis in Japan. "I think nuclear power is safe," Buffett said. "Nuclear power is an important part of the world's equation in dealing with problems of harmful emissions from traditional energy sources, he said. (Buffett does admit there is and will be public resistance to nuclear power after the Japan crisis.)

Buffett has long feared nuclear war, and has lavished charitable contributions on anti-nuke programs. So it's interesting to hear him defend nuclear energy so firmly.

3:48 pm | by Shira Ovide

Treats!

If we could find areas of growth for See's Candies, it would be very, very profitable, Buffett says. I've lost count how many times Buffett has mentioned See's and its profits today.

Meanwhile, Buffett and Munger have picked up their pace of eating and drinking post-lunch. Munger has a box of treats right in front of him. The box is orange, like his fetching tie. These guys clearly didn't coordinate their wardrobes today. Buffett's cravat is bright pink, very clashing.

3:52 pm | by Shira Ovide

And now, for another dig at bankers.

Yes, Warren Buffett doesn't like Wall Street bankers. Buffett says he's never seen an investment banker's financial predictions for a company that didn't show earnings going higher. "I don't pay attention," he says, and compares it to "asking the barber if you need a haircut." This is a frequent Buffett trope.

Buffett says that he and Munger keep financial projections in their heads, rather than rely on the bankers' spreadsheets. Munger's advice for those in business school: "At least until you're out of school you have to pretend to do it their way."

4:01 pm | by Shira Ovide

Berkshire Is Cash Conservative

A shareholder wants to know what Berkshire does with its billions of dollars in cash, given the low yields for cash right now. "He's certainly right that all the choices are lousy for short term money right now," Buffett replies.

He says most of Berkshire's cash is parked in Treasuries. It's not a great return, Buffett concedes, but at least "we know we'll get our car back."

In Berkshire's latest annual report, Buffett said he was glad Berkshire didn't invest in commercial paper when that typically safe market imploded during the financial crisis. He also relayed a story about his grandfather, who owned an Omaha grocery store and urged his children to keep at least \$1,000 in cash in a safe deposit box just in case.

Berkshire's version of a \$1,000 in a safe deposit box? The \$34.8 billion in cash and cash equivalents the company had on its books, as of Dec. 31.

4:08 pm | by Shira Ovide

Time to Retire This Joke:

Buffett, in talking about Berkshire keeping its cash in very safe places, says he wants assurance just in case Ben Bernanke runs off to South America with Paris Hilton. Where have we heard this joke before? Oh, pretty much everywhere Buffett shows up. Also, Warren, you need a new celebrity ingenue reference. Megan Fox, maybe?

4:17 pm | by Shira Ovide

UPenn, Don't Wait for that Alumni Donation:

Buffett is asked to offer advice for the country's youth. Buffett, who was so socially awkward growing up that he turned to self-help books, says kids should work on improving their communications skills. He says when he started selling securities, he realized he needed to learn how to communicate with people.

So what's out? Economics courses. Buffett said of his time at the University of Pennsylvania's Wharton school, that the economics courses "didn't push me forward" in any significant way.

4:28 pm | by Shira Ovide

Todd Combs:

We have our first question about Todd Combs, the once-obscure money manager plucked last year to run a piece of Berkshire's whopping investment portfolio. How did he get introduced to Berkshire? How do shareholders assess his performance?

"He sent me a letter," Munger said. "That's how it happened."

Munger says it's helped that Combs has been investing for years in financial companies.

Buffett said Combs's investing track record will be disclosed only over a five year period. "You can't judge an investor from what they've done over 6 months or a year," Buffett says.

Buffett also said it's "more likely than not that we'll have more than one investment manager at Berkshire...If we end up with two or three, that's a plus." Buffett has said this before. The CIO job, one Buffett holds solely along with the CEO post, will no longer be a one-man post.

Budding financial celebrities, time to send you CVs to Charlie Munger.

4:37 pm | by Shira Ovide

Buffett calls a short break. We will resume with the "normal" corporate annual meeting -- election of directors and such.

4:44 pm | by Shira Ovide

Berkshire Hathaway Board: Who Are They?

Buffett and Munger are back from the break, with a noticeably emptier Qwest Center in front of them. Among the business of the meeting: Election of Berkshire directors. So, who are these folks?

The director ranks are stacked with heavy hitters. It's also a fairly gray-haired bunch. Of the 12 directors, seven are 69 years old or older, and most of the board members have long-standing business or personal ties to Warren Buffett.

Here are short bios on each of the Berkshire Hathaway directors:

Warren Buffett: He has been chairman as well as CEO of Berkshire Hathaway since 1970. Buffett also owns a controlling stake in the company.

Howard G. Buffett: The middle of Warren Buffett's three children, and the namesake of Warren Buffett's father, a former U.S. congressman. (Howard's middle name, Graham, is a nod to Warren Buffett's former mentor, value-investing guru Benjamin Graham.) Howard runs a farm and is president of a charitable foundation, the Howard G. Buffett Foundation.

Stephen Burke: Executive vice president of cable operator Comcast, and new CEO of Comcast's majority-owned entertainment company, NBCUniversal. Burke's father, former media executive Dan Burke, knew Buffett and worked with another Berkshire director, Tom Murphy. Burke is the newest Berkshire director, joining in late 2009.

Susan Decker: The former Yahoo executive has been a Berkshire director since 2007. "We are lucky to have her," Buffett wrote about Decker in his [2006 investor letter](#). "She scores very high on our four criteria and

additionally, at 44, is young â€" an attribute, as you may have noticed, that your Chairman has long lacked.â€"

Bill Gates: The software mogul has known Buffett for 20 years. The two men jointly have pushed fellow billionaires to give away the majority of their fortunes to charity, through an organization called the Giving Pledge. Buffett also played a role in Gatesâ€™s engagement, according to Buffett biography, â€"The Snowball.â€" On Easter 1993, Gates diverted his plane to Omaha and surprised his now wife, Melinda, with an engagement-ring shopping excursion with Buffett. The location: Borsheim's jewelry store, owned by Berkshire Hathaway.

David S. Gottesman: The octogenarian started his own investment firm, First Manhattan Co., and over the years he has talked stocks with and brought investment ideas to Buffett. For example, Gottesman introduced Buffett to the Hochschild-Kohn department store in Baltimore, which Buffett bought in 1966.

Charlotte Guyman: The former Microsoft official is a close friend of Bill Gatesâ€™s wife, Melinda, according to [Fortune magazine](#). Guyman also was once dispatched to help speed up the website of the Berkshire-owned insurer, Geico.

Donald Keough: The ex-CEO of Coca-Cola is a longtime family friend of Warren Buffett. The Buffetts and the Keough families had been neighbors in Omaha. Buffett also served on Cokeâ€™s board for 17 years until 2006, and he remains a large Coke investor. According to â€"Buffett: The Making of an American Capitalist,â€" Keough also years ago persuaded Buffett to switch from his quaff of choice â€" Pepsi laced with cherry syrup â€" to Cherry Coke, which the Oracle of Omaha now drinks religiously.

Charles T. Munger: Warren Buffettâ€™s longtime friend and investing partner.

Tom Murphy: The former CEO of television company Capital Cities Communications convinced Buffett to buy 15% of Capital Cities in 1985 to save the company from a corporate raider. Later, Buffett helped bring about the sale of Capital Cities to Disney in 1995. Murphy also shares some of the same frugal tendencies at Buffett. As a manager of a TV station in Albany early in his career, Murphy sought to save money by painting only the sides of the building that faced the road.

Ronald Olson: Another longtime Berkshire staple, Olson and Berkshireâ€™s Charlie Munger are partners in the law firm Munger, Tolles & Olson LLP.

Walter Scott Jr.: The former CEO of Peter Kiewit Sonsâ€™ Inc., an iconic construction company in Berkshireâ€™s hometown of Omaha. In his book, â€"Pleased but not Satisfied,â€" David Sokol calls Scott â€"a man of complete integrity and enormous business wisdom.â€" Scott also wrote the preface to Sokolâ€™s book, and wrote: â€"In successfully writing a book on business principles that reads more like a novel, David should be pleased with this effort. But given his choice of a title, and his natural inclination to not be satisfied with the status quo, I anticipate we will see future editions that are even more interesting and instructive.â€"

5:07 pm | by Shira Ovide

Climate Change:

There's a vigorous debate going on among shareholders speaking for and against an investor proposal for Berkshire to set goals to reduce greenhouse gases and other emissions. Buffett is listening patiently. Here is the text of the proposal up for a vote, contained in Berkshire's [proxy statement](#):

"Resolved that Berkshire â€" in response to strict new EPA regulations â€" establish quantitative goals for the reduction of greenhouse gas and other air emissions at its energy-generating holdings; and that Berkshire publish a report to shareholders by September 30, 2011 (at reasonable cost and omitting proprietary information) on how it will achieve these goals â€" including plans to retrofit or retire existing coal-burning plants at Berkshire-held companies"

5:08 pm | by Shira Ovide

Berkshire Board on Greenhouse-Gas Proposal:

Berkshire's board has recommended investors vote "no" on this greenhouse gas proposal. Here's what they say:

"[E]stablishing such reduction goals at this time as additional EPA regulation of greenhouse gases are being developed would be contrary to the responsibilities of our rate-regulated utilities and to our customers whose utility bills could be dramatically affected."

5:12 pm | by Shira Ovide

Zzzzz...

Several posts on Twitter say Munger is repeatedly falling asleep on stage now. We can't tell from our bird's nest view, but the video screens now are only showing Buffett. Before, we saw Buffett and Munger in a two-shot.

5:15 pm | by Shira Ovide

We're done!

The climate change proposal fails. Buffett calls for the meeting to come to a close. The arena already has nearly emptied. Now, all are filing out. Hope you all had fun! Deal Journal will be back soon!

Catch all our coverage at WSJ.com.

5:17 pm | by Shira Ovide

That's a Wrap: Thanks to everyone who lobbed us comments and send us notes in Twitter.

6:39 pm | by Shira Ovide

David Sokol strikes back: In a statement, Sokol's attorney is striking back at Buffett's criticisms. After the meeting ended, the attorney said: "David Sokol is deeply saddened that Mr. Buffett, whom he considered a friend and mentor, would disparage him as he has done today." He called Buffett's comments today on Sokol a "flip-flop and resort to transparent scapegoatism." [HERE is the full statement from Sokol.](#)

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