Notes

Preface

1. For example, Steven M. Davidoff, "With His Magic Touch, Buffett May Be Irreplaceable for Berkshire," *New York Times,* May 22, 2013.

2. The exact number of Berkshire's "direct subsidiaries" depends on how the concept is defined, such as in legal, operational, or functional terms. The appendix presents a list compiled from public records, showing direct and indirect subsidiaries.

3. Among Berkshire subsidiaries possessing all of the conglomerate's cultural traits are Clayton Homes, The Marmon Group, and McLane.

Introduction

1. Many Berkshire shareholders became billionaires or near-billionaires as a result, including: Warren E. Buffett, David S. ("Sandy") Gottesman, Homer and Norton Dodge (early investors), Stewart Horejsi (acquired 4,300 shares in 1980), Charles T. Munger, Bernard Sarnat (cousin in law of Benjamin Graham); and Walter Scott, Jr.; others became billionaires by other routes, including William H. Gates III. See Richard Teitelbaum, "Berkshire Billionaire Found With More Shares Than Gates," *Bloomberg News,* Sept. 17, 2013.

2. Many founders or executives of Berkshire subsidiaries became independently wealthy by building those businesses, including several ranked as Forbes 400 multi-billionaires. Billionaires or near-billionaires include the following: the late Harold Alfond of Dexter Shoe; Jim Clayton of Clayton Homes; William Child of R. C. Willey; Doris Christopher of The Pampered Chef; Barnett Helzberg Jr. of Helzberg's Diamond Shops; Lorry I. Lokey of Business Wire; Drayton McLane of McLane Co. Inc.; the late Jay and Robert Pritzker of The Marmon Group; Richard Santulli of NetJets; the late Al Ueltshci of FlightSafety; and Stef Wertheimer of ISCAR/IMC.

3. See Jim Clayton & Bill Retherford, *First A Dream* (FSB Press, 2002), 260.

4. John W. Mooty, telephone interview by the author, October 2, 2013.

5. See Doris Christopher, *The Pampered Chef* (New York: Doubleday, 2005), 123 ("our salespeople can earn six-figure incomes . . . with almost no capital at risk").

6. See Michael E. Porter, *Competitive Advantage: Creating and Sustaining Business Performance* (New York: Free Press 1998).

7. See "Fitch Downgrades Berkshire Hathaway," *CPI Financial* (March 16, 2009).

8. Craig E. Aronoff & John L. Ward, *Family Business Values* (Basingstoke, UK: Palgrave MacMillan 2001, 2011), 14.

9. Lawrence H Kaufman, "Leaders Count: The Story of BNSF Railway" (*Texas Monthly* / Texas A&M University Press 2005), 20–21.

10. These figures are widely quoted. See, e.g., Keanon J. Alderson, *Understanding The Family Business* (2011), 57.

11. Lawrence H Kaufman, "Leaders Count," 340 (quoting Grinstein).

12. See Berkshire Hathaway Annual Report, Financial Statements (2013), 28–29 (balance sheet lists market value of equity securities at $115 billion with total assets, mostly at book value, of $485 billion; income statement indicates total revenue of $182 billion with $15 billion from investments).

13. Jeff Benedict, *How to Build a Business Warren Buffett Would Buy: The R. C. Willey Story* (Salt Lake City, Utah: Shadow Mountain 2009), 1.

14. Ibid.

15. Berkshire-BNSF Joint Prospectus and Proxy Statement (December 23, 2009), 35–39.

16. I found an analogy in my own life to the various transactions discussed throughout this book. I began my career as a high-paid corporate lawyer at the prosperous New York law firm of Cravath, Swaine & Moore. There I had at least some prospect of making partner and an excellent chance of becoming partner at some other firm upon leaving Cravath. Then a different future appeared: a professorship, first at Yeshiva University's Cardozo Law School and later at Boston College and George Washington University.

Partner draws at Cravath and other private firms dwarf the pay at GW, BC, or Cardozo. But there are compensating values of the professorial position, including tenure and academic freedom. I traded the higher pay in part for those commitments of permanence and autonomy. Sellers of companies to Berkshire make a similar calculation: taking less in cash or stock while being compensated for that in the commitments of permanence and autonomy—as well as the other values that Berkshire culture offers.

Scolds will tell you that comparing cash (salary) payments to such intangibles is to compare apples and oranges. They will say the values are incommensurate, one measured in money and the other in a different index altogether. It is not possible, in this view, simply to assign to the intangibles money value inferred from how much more or less someone charges or takes when the other values are also being exchanged.

The "price" of autonomy or permanence cannot be easily reduced to monetary terms. (The difficulty recalls the classic credit card commercials showing a series of goods and their prices—a movie cost ten dollars, popcorn costs five dollars—with the punch line, time with family, "priceless.") Certainly translating such intangibles into a money value is not the same as calculating the present value of an annuity or a cash flow pattern. But it increases the chances that two sides discussing a business acquisition will be able to reach agreement.

17. See Dale A. Oesterle, *The Law of Mergers & Acquisitions* (Eagan, MN: West Group, 3d ed. 2010) (discussing such an example and related research).

18. See Warren E. Buffett, "The Superinvestors of Graham-and-Doddsville," *Hermes*, *The Columbia Business School Magazine* (1984). Graham's books include *Security Analysis* (with David Dodd), *The Intelligent Investor*, and *The Interpretation of Financial Statements*. See Lawrence A. Cunningham, *How to Think Like Benjamin Graham and Invest Like Warren Buffett* (New York: McGraw Hill, 2001).

1. Origins

1. Among these businesses, which remain active, were Columbia Insurance Company, Cornhusker Casualty Company, Continental Divide Insurance Company, Cypress Insurance Company, National Fire & Marine (NFM) Insurance Company of Kansas, and Redwood Fire & Casualty Insurance Company.

2. Berkshire sold this business in 1981 to Bruce Sagan; this is before the 1985 closing of the Berkshire textile business that cemented a policy of never selling subsidiaries.

3. Alice Schroeder, *The Snowball: Warren Buffett and the Business of Life* (New York: Bantam, 2008), 359 (quoting $209 million).

4. Ibid., 377.

5. Katharine Graham, *Personal History* (New York: Vintage, 1998), 511–5, 530–7; Deborah A. DeMott, "Agency Principles and Large Block Shareholders," *Carlozo Law Review* 19 (1997): 321–40.

6. The firm's name evolved as partnership membership changed, roughly as follows: Munger, Tolles & Hills (1962–1966); Munger, Tolles, Hills & Rickershauser (1966–1975); Munger, Tolles & Rickershauser (1975–1986); and Munger, Tolles & Olson (since 1986).

7. Janet Lowe, *Damn Right! Behind the Scenes with Berkshire Hathaway Billionaire Charlie Munger* (Hoboken, N.J.: Wiley, 2000), 112–13.

8. Schroeder, *The Snowball*, 331.

9. Ibid., 318, 319.

10. Ibid., 344–45.

11. Ibid., 345; Lowe, *Damn Right!*, 126–27.

12. The historical facts concerning See's may be found in *International Directory of Company Histories*, vol. 30 (Detroit, Mich.: St. James, 2000) (hereafter cited as *IDCH*, See's); the See's company website, www.sees.com; and Margaret Moos Pick, *See's Old Time Candies* (San Francisco: Chronicle, 2005).

13. Schroeder, *The Snowball*, 345.

14. William N. Thorndike Jr., *The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success* (Boston: Harvard Business Review, 2012), 174.

15. Berkshire Hathaway, Inc., *1991 Annual Report*, February 28, 1992, chairman's letter:

> The nominal price that the sellers were asking—calculated on the 100 percent ownership we ultimately attained—was $40 million. But the company had $10 million of excess cash, and therefore the true offering price was $30 million. Charlie and I, not yet fully appreciative of the value of an economic franchise, looked at the company's mere $7 million of tangible net worth and said $25 million was as high as we would go (and we meant it). Fortunately, the sellers accepted our offer.

16. *IDCH*, See's.

17. David Kass, comment on Warren Buffett, "Warren Buffett's Meeting with University of Maryland MBA Students—November 15, 2013," *Dr. David Kass: Commentary on Warren Buffett and Berkshire Hathaway*, December 8, 2013, http://blogs.rhsmith.umd.edu/davidkass/2013/12.

18. In the Matter of Blue Chip Stamps et al., SEC File No. HO-784.

19. Schroeder, *The Snowball*, 408, note 23.

20. Ibid., 410.

21. Complaint, Securities and Exchange Commission v. Blue Chip Stamps, No. 76–1009 (DC Cir. June 9, 1976).

22. Blue Chip acquired 80 percent of Wesco, with the remainder being publicly listed and the company chaired by Munger; Berkshire took over that holding in 1983. In 2011, Wesco merged into Berkshire; Berkshire paid about $550 million in a combination of cash and Berkshire stock for the remaining shares. Berkshire Hathaway press release, "Berkshire Hathaway Inc. to Acquire Outstanding Common Stock of Wesco Financial Corporation Not Presently Owned," February 7, 2011.

23. Obituary of Edward H. Butler Sr., *New York Times*, March 10, 1914.

24. Michael Dillon, *The Life and Times of Edward H. Butler, Founder of* The Buffalo News *(1850–1914): A Crusading Journalist Navigates the Gilded Age*, Mellen Studies in Journalism, Series 5 (Lewiston, N.Y.: Edwin Mellen, 2003).

25. Murray B. Light, *From Butler to Buffett: The Story Behind* The Buffalo News (Amherst, N.Y.: Prometheus, 2004), 105, 133.

26. Ibid., 195.

27. Ibid., 196–97.

28. Ibid., 197.

29. Buffalo Courier-Express, Inc. v. Buffalo Evening News, Inc., 441 F. Supp. 628 (W.D.N.Y. 1977).

30. Buffalo Courier-Express, Inc. v. Buffalo Evening News, Inc., 601 F.2d 48 (2d Cir. 1979) (Friendly, J.).

31. Berkshire Hathaway Inc., *2012 Annual Report*, chairman's letter, 3.

32. Minorco stood for Mineral and Resources Corporation, a Luxembourg-based investment arm of Harry Oppenheimer's Anglo American Corporation of South Africa and De Beers Consolidated Mines Ltd.

33. For details on the Salomon preferred stock, see Schroeder, *The Snowball*, 541, 901–2nn73,81.

34. Warren E. Buffett, Before the Subcommittee on Telecommunications and Finance of the Energy and Commerce Committee of the U.S. House of Representatives (1991), reprinted in the *Wall Street Journal*, May 1, 2010. Buffett writes in a biennial missive to Berkshire's chief executives:

> Let's be sure that everything we do in business can be reported on the front page of a national newspaper in an article written by an unfriendly but intelligent reporter.

Quoted in Robert Miles, *The Warren Buffett CEO: Secrets from the Berkshire Hathaway Managers* (Hoboken, N.J.: Wiley, 2003), 357–58.

35. Anthony Bianco, "The Warren Buffett You Don't Know," *BusinessWeek*, July 5, 1999, p. 54.

2. Diversity

1. See James B. Stewart, *Den of Thieves* (New York: Touchstone, 1992).

2. Most of the historical facts concerning Scott and Fetzer can be found in *International Directory of Company Histories*, vol. 12 (Detroit, Mich.: St. James, 1996).

3. The exact amount of Berkshire's acquisition of Scott Fetzer has been reported at different levels, presumably because it was paid in a combination of cash and the assumption of certain liabilities. E.g., Schroeder, *The Snowball*, 900n52 (mentioning $320 million or $230 million) and 531 ($410 million); Berkshire Hathaway, Inc., *1986 Annual Report*, chairman's letter (listing $315 million).

4. See, for example, the Buy American Act of 1933, 41 U.S.C. 10a–10d, as amended by the Barry Amendment addressing military uniforms.

5. Berkshire Hathaway, Inc., *2013 Annual Report*, 64.

6. Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter.

7. The real cost was greater than the $443 million purchase price, moreover, since it was paid in Berkshire stock. The stock paid represented 1.6 percent of Berkshire, which in 2007 would have been worth $3.5 billion.

8. Berkshire Hathaway, Inc., *1991 Annual Report*, chairman's letter.

9. Ibid.

10. Legend has it that before Rooney married Frances Heffernan the old man told him he would not be welcomed working at H.H. Brown. Berkshire Hathaway, Inc., *1991 Annual Report*, chairman's letter.

11. Ibid.

12. Instances are: Applied Underwriters (bought 81 percent); Central States (bought 82 percent; the Kizer family kept 18 percent); Nebraska Furniture Mart (bought 90 percent; the Blumkins kept 10 percent for themselves and for compensation to other managers); Fechheimer (bought 84 percent; the Heldman family kept 16 percent).

13. Instances are: Shaw Industries (80 percent initially); ISCAR/IMC (80 percent initially); and the Marmon Group (60 percent initially).

14. For profiles of the company and selected personnel, see Guy Rolnik, "Who on Earth Is Jacob Harpaz?," *Haaretz*, July 15, 2009; and Tali Heruti-Sover, "Their Hearts Belong to Iscar," *Haaretz,* September 29, 2012.

15. Berkshire Hathaway, Inc., *2006 Annual Report*, chairman's letter.

3. Culture

1. E.g., Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter.

2. See, e.g., Eric Van den Steen, "On the Origin of Shared Beliefs (and Corporate Culture)," *Rand Journal of Economics* 41 (2010): 617.

3. See Terrence E. Deal and Allan A. Kennedy, *Corporate Cultures: The Rites and Rituals of Corporate Life* (Reading, Mass.: Addison-Wesley, 1982).

4. Some of Berkshire's owner-related business principles apply to the parent level but not so much to the subsidiaries. For example, many address topics relevant only to public companies—linking dividend policy to stock price, aspiring to have one's stock trade at a fair price, or relating stock price to intrinsic value—and others only to the Berkshire level but not the subsidiary level—being reluctant to use Berkshire stock to pay for acquisitions, because it dilutes the interests of current owners.

5. See chap. 14, including tables 14.1 through 14.4.

6. Ibid.

7. Ibid., combining data from tables 14.1 and 14.2.

8. Anthony Bianco, "The Warren Buffett You Don't Know," *BusinessWeek*, July 4, 1999.

9. See Ronald Chan, *Behind the Berkshire Hathaway Curtain: Lessons from Warren Buffett's Top Business Leaders* (Hoboken, N.J.: Wiley, 2010), 100.

10. See L. J. Rittenhouse, *Investing Between the Lines* (New York: McGraw-Hill, 2013).

11. See, e.g., Moody's October 8, 2013, report on Berkshire Hathaway.

12. Craig E. Aronoff and John L. Ward, *Family Business Values* (New York: Palgrave Macmillan 2001, 2011), 16: "A stable, trustworthy . . . firm with a long-term orientation has a distinct competitive advantage."

13. See John Kotter and James Heskett, *Corporate Culture and Performance* (New York: Free Press, 1992).

14. See Deal and Kennedy, *Corporate Cultures*.

15. See John Mackey and Rajendra Sisodia, *Conscious Capitalism: Liberating the Heroic Spirit of Business* (Boston: Harvard Business Review Press, 2013); and James Collins and Jerry Porras, *Built to Last* (New York: Harper Business 1994).

16. See Robert Mondavi and Paul Chutkow, *Harvests of Joy: How the Good Life Became Great Business* (Boston: Houghton Mifflin Harcourt, 1998).

17. Aronoff and Ward, *Family Business Values*, 8–10.

4. Budget-conscious and Earnest

1. The historical facts concerning GEICO can be found in William K. Klingaman, *GEICO: The First Forty Years* (Washington, D.C.: GEICO, 1994); in *International Directory of Company Histories*, vol. 40 (Detroit, Mich.: St. James, 2001) (hereafter cited as *IDCH*, GEICO); and on the company's website (www.geico.com).

2. GEICO website. Buffett has put the initial investment at $200,000. Berkshire Hathaway, Inc., *2004 Annual Report*, chairman's letter.

3. Klingaman, *GEICO*, 15.

4. *IDCH*, GEICO.

5. Klingaman, *GEICO*, 12.

6. Ibid., 31.

7. This was the principal means of train transport between New York and Washington in this period. Bruce F. Smith (president, Pennsylvania Railroad Technical and Historical Society), e-mail to author, February 13, 2014.

8. This was the sixth floor of GEICO's building; GEICO moved offices on numerous occasions over ensuing decades. *IDCH*, GEICO.

9. Berkshire Hathaway, Inc., *1995 Annual Report*, chairman's letter.

10. The article is reproduced at p. 24 of the chairman's letter in Berkshire Hathaway, Inc., *2005 Annual Report*.

11. Klingaman, *GEICO*, 65 (1960 figures).

12. GEICO website.

13. Klingaman, *GEICO*, 100.

14. Ibid., 96.

15. Berkshire Hathaway, Inc., *1986 Annual Report*, chairman's letter. For additional detail about this multifaceted crisis, see Klingaman, *GEICO*, 104–22.

16. Byrne left GEICO in 1985 to run Fireman's Fund. He later led the formation of White Mountain Insurance, in which Berkshire made a substantial investment.

17. Berkshire Hathaway, Inc., *1986 Annual Report*, chairman's letter.

18. Ibid.

19. Berkshire Hathaway, Inc., *1990 Annual Report*, chairman's letter.

20. Berkshire Hathaway, Inc., *1996 Annual Report*, chairman's letter.

21. Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter.

22. Berkshire Hathaway, Inc., *2006 Annual Report*, chairman's letter.

23. See Geraldine Fabrikant, "A Maestro of Investments in the Style of Buffett," *New York Times*, April 23, 2007.

24. Berkshire Hathaway, Inc., *2004 Annual Report*, chairman's letter.

25. Berkshire Hathaway, Inc., *1997 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *1998 Annual Report*, chairman's letter.

26. Berkshire Hathaway, Inc., *1999 Annual Report*, chairman's letter.

27. Berkshire Hathaway, Inc., *1997 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *1998 Annual Report*, chairman's letter.

28. See Phil Gusman, "Nomura Auto Insurance All About Price; Independent Agent Role Diminishing," *Property Casualty 360°*, October 16, 2013 (noting 9.9 percent market share as of mid-2013); Berkshire Hathaway, Inc., *2006 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *2009 Annual Report*, chairman's letter (noting 8.1 percent).

29. Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter.

30. Berkshire Hathaway, Inc., *1998 Annual Report*, chairman's letter.

31. See Andrew Kilpatrick, *Warren Buffett: The Good Guy of Wall Street* (New York: Primus/Donald I. Fine, 1992), 73.

32. Robert Dorr, " 'Unusual Risk' Ringwalt Specialty," *Omaha World Herald*, March 12, 1967.

33. National Indemnity website (www.nationalindemnity.com).

34. Jack Ringwalt in *Tales of National Indemnity Company and Its Founder*, as quoted in Roger Lowenstein, *Buffett: The Making of an American Capitalist* (New York: Random House, 1995), describing the memoir as "a hilarious romp past the characters, not always savory, in the back alleys of the insurance business" (133).

35. Lowenstein, *Buffett*, 134.

36. Ibid.; Berkshire Hathaway, Inc., *1992 Annual Report*, chairman's letter.

37. E.g., Dean Starkman, "AIG's Other Reputation: Some Say the Insurance Giant is Too Reluctant to Pay Up," *Washington Post*, August 21, 2005.

38. See "Insurance Regulators Scrutinize New Owners," *Des Moines Register*, August 11, 2013.

39. National Indemnity website.

40. Berkshire Hathaway, Inc., *2000 Annual Report*, chairman's letter; Berkshire Hathaway, Inc., *2003 Annual Report*, chairman's letter.

41. See Chris Chase, "What Are the Odds of a Perfect NCAA Bracket?" *USA Today*, March 19, 2013, crediting DePaul University math professor Jay Bergen with the figure.

42. Berkshire Hathaway, Inc., *1992 Annual Report*, chairman's letter.

43. Berkshire Hathaway, Inc., *1997 Annual Report*, chairman's letter.

44. Berkshire Hathaway, Inc., *1999 Annual Report*, chairman's letter.

45. See Steve Jordon, "National Indemnity Has Been a Foundation of Berkshire Hathaway's Strategy," *Omaha World-Herald*, April 24, 2005.

46. See Berkshire Hathaway, Inc., *2008 Annual Report*, chairman's letter.

47. *International Directory of Company Histories*, vol. 24 (Detroit, Mich.: St. James, 1999).

48. Cologne Re is formally called Kölnische Rückversicherungs-Gesellschaft AG.

49. Judy Greenwald, "General Re Consolidates Its Lead: Acquisition of National Re Seen as Strategic Move and a Good Fit for Reinsurer," *Business Insurance*, July 8, 1996; Leslie Scism, "General Re Agrees to Buy National Re in Deal Valued at About $940 Million," *Wall Street Journal*, July 2, 1996.

50. See Andrew Kilpatrick, *Of Permanent Value: The Story of Warren Buffett* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), 283–84.

51. See Berkshire Hathaway, Inc., *1998 Annual Report*, chairman's letter.

52. Klingaman, *GEICO*, 137.

53. Mark A. Hoffman, "Warren Buffett Accepts Blame for General Re's Poor Results," *Business Insurance*, March 18, 2002; Steve Jordon, "General Re Is the Key to Berkshire's Ignition, Underwriting Losses," *Omaha World-Herald*, April 28, 2002.

54. Berkshire Hathaway, Inc., *2002 Annual Report*, chairman's letter.

55. Ibid.

56. See Berkshire Hathaway, Inc., *2007 Annual Report*, chairman's letter.

57. See Maurice R. Greenberg and Lawrence A. Cunningham, *The AIG Story* (Hoboken, N.J.: Wiley, 2013), 171–202.

58. Ibid., 178–79.

59. Steve Jordon, "Buffett Urged to Dump Boss at Gen Re: A Report Says Prosecutors Are Asking for the CEO's Removal," *Omaha World-Herald*, April 7, 2008.

60. See Noah A. Gold, "Corporate Criminal Liability: Cooperate and You Won't Be Indicted," *Georgetown Journal of Law and Public Policy* 8, 147-165 (2010).

61. United States v. Stein, 541 F.3d 130 (2d Cir. 2008).

62. "Brandon Leaves Gen Re Under a Cloud," *Reactions*, May 1, 2008, quoting Justin Fuller, analyst at Morningstar.

63. Ibid., noting continued high ratings and positive commentary from AM Best and Standard & Poor's.

64. Berkshire Hathaway, Inc., *2005 Annual Report*, chairman's letter. Among other smaller Berkshire insurers are three that are exceptionally entrepreneurial: Boat America Corporation (or Boat Owners Association of the United States) is akin to AAA automobile clubs for boat owners, offering boat insurance and other services; Applied Underwriters couples payroll services with workers' compensation insurance; and Kansas Bankers Surety was built by creating direct relationships with hundreds of bankers in a dozen states. Another pair—Berkshire Hathaway Homestate and Guard Insurance—cater to smaller businesses, while two others are family businesses, one which pays monthly credit card bills of the disabled or unemployed (Central States Indemnity) and another covering unusual risks (U.S. Liability), known as "excess and surplus lines" in insurance argot.

5. Reputation

1. See Jim Clayton and Bill Retherford, *First a Dream* (Knoxville, Tenn.: FSB, 2002). Some of the historical facts concerning Clayton Homes can be found in *International Directory of Company Histories*, vol. 54 (Detroit, Mich.: St. James, 2003) (hereafter cited as *ICDH*, Clayton).

2. They were not Kirby vacuums, however.

3. The facts in this paragraph appear in Clayton and Retherford, *First a Dream*, p. 236.

4. Ibid.

5. See *ICDH*, Clayton; Clayton Homes corporate personnel, e-mail to author, February 18, 2013.

6. Clayton and Retherford, *First a Dream*, 193.

7. Ibid., 256.

8. Berkshire Hathaway, Inc., *2003 Annual Report*, chairman's letter.

9. See Denver Area Meat Cutters v. Clayton, 209 S.W.3d 584 (Tenn. Ct. App. 2006); Denver Area Meat Cutters v. Clayton, 120 S.W.3d 841 (Tenn. Ct. App. 2003).

10. Clayton and Retherford, *First a Dream*, 93–94.

11. Berkshire Hathaway, Inc., *2009 Annual Report*, chairman's letter.

12. Ibid.

13. See John Mackey and Rajendra Sisodia, *Conscious Capitalism: Liberating the Heroic Spirit of Business* (Boston: Harvard Business Review Press, 2013), 285; Andrew Kilpatrick, *Of Permanent Value* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), 483: "An average furniture store turns over inventory one or two times a year."

14. Why Samuel called his store Jordan's remains a business mystery.

15. Michael Roberto, Bryant University, "Jordan's Furniture: Shoppertainment," *Professor Michael Roberto's Blog*, October 27, 2009, http://michael-roberto.blogspot.com/2009/10/jordans-furniture-shoppertainment.html.

16. Berkshire Hathaway, Inc., *1997 Annual Report*, chairman's letter; Berkshire Hathaway, Inc., *1999 Annual Report*, chairman's letter.

17. Berkshire Hathaway/Jordan's Furniture, press release, October 11, 1999.

18. The historical highlights concerning Benjamin Moore may be found in *International Directory of Company Histories*, vol. 38 (Detroit, Mich.: St. James, 2001) (hereafter cited as *IDCH*, Benjamin Moore).

19. Federal efforts to reduce the use of lead-containing paint began in the 1970s and lasted through the early 1990s.

20. *IDCH*, Benjamin Moore.

21. Jane Applegate, "Moore's Program Lays the Base Coat for Minority-Owned Paint Stores," *Los Angeles Times*, August 31, 1993; Jane Applegate, "Minority Businesses Get a Head Start on Ownership," *Washington Post*, September 20, 1993.

22. Robert H. Mundheim, "Deals Without Bankers: Salomon and Benjamin Moore," *Concurring Opinions* (blog), May 21, 2013, www.concurringopinions.com/archives/author/robert-mundheim.

23. Robert Mundheim, author telephone interview (January 21, 2014).

24. Berkshire Hathaway, Inc., *2000 Annual Report*, chairman's letter.

25. Denis Abrams (Benjamin Moore) interview on *Nightly Business Report*, May 2, 2007.

26. Ibid. Berkshire set no targets for sales or profits, Abrams said.

27. James Covert, "Margaritaville Memo: Execs May Walk Plank," *New York Post*, June 26, 2012.

28. James Covert, "Brooklyn Paint Dealers Say Buffett Rolled All Over Them," *New York Post*, October 14, 2013.

29. See Steve Jordon, "Warren Buffett Says He Replaced Benjamin Moore's CEO to Keep a Promise," *Omaha World-Herald*, October 16, 2013 (reporting that Buffett said Benjamin Moore generated $1.5 billion in profit during the previous decade).

30. James Covert, "Warren Buffett Fired Benjamin Moore CEO After Bermuda Cruise," *New York Post*, June 15, 2012.

31. James Covert, "Warren Buffett Cans Benjamin Moore CEO," *New York Post*, September 27, 2013.

32. Warren Buffett letter to Denis Abrams, June 16, 2013.

33. James Covert, "Boxed in by Lowe's," *New York Post*, June 29, 2012.

34. Covert, "Warren Buffett Fired Benjamin Moore CEO After Bermuda Cruise."

35. Covert, "Warren Buffett Cans Benjamin Moore CEO."

36. Benjamin Moore, press release.

37. Kim Freeman, who wrote in response to my blog post of this story, at concurringopinions.com.

38. Michael Searles, author interview at Berkshire Hathaway annual meeting, Omaha (May 4, 2014).

39. Historical facts concerning Johns Manville can be found in *International Directory of Company Histories*, vol. 64 (Detroit, Mich.: St. James, 2004) (hereafter cited as *IDCH*, Johns Manville).

40. See Sloan Wilson, *The Man in the Gray Flannel Suit* (Simon & Schuster, 1955).

41. See Paul Brodeur, *Outrageous Misconduct: The Asbestos Industry on Trial* (New York: Pantheon, 1985).

42. *IDCH*, Johns Manville.

43. Ibid.

44. Borel v. Fibreboard Paper Products, 493 F.2d 1076 (5th Cir. 1973).

45. Stephen Solomon, "The Asbestos Fallout at Johns-Manville," *Fortune* (May 7, 1979).

46. *IDCH*, Johns Manville.

47. Berkshire Hathaway, Inc., 2000 *Annual Report*, chairman's letter.

48. Ibid.

49. Peter Lattman & Geraldine Fabrikant, "Buffett's Favor for Now-Fallen Deputy Perplexed People Working for Him," *New York Times* (April 28, 2011).

50. An autobiographical feature on Mr. Raba appeared in Vanessa Small, "New at the Top: To Meet Warren Buffett, This Outdoorsman Didn't Stay Lost in the Woods,"

Washington Post, October 27, 2013, www.washingtonpost.com/business/economy/new-at-the-top-to-meet-warren-buffett-this-outdoorsman-didnt-stay-lost-in-the-woods/2013/10/27/924ffe10-3d83-11e3-b6a9-da62c264f40e_story.html.

51. See Johns Manville, *We Build Environments: 2012 Sustainability Report* (Denver, Colo.: Johns Manville, 2013).

52. David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Washington, D.C.: Brookings Institute, 2005), 48–54.

6. Kinship

1. Barnaby J. Feder, “Rose Blumkin, Retail Queen, Dies at 104,” *New York Times*, August 13, 1998.

2. Ibid.

3. Berkshire Hathaway, Inc., *1989 Annual Report*, chairman’s letter.

4. See Alice Schroeder, *The Snowball: Warren Buffett and the Business of Life* (New York: Bantam Dell, 2008), 493–94, naming Mohawk as the supplier.

5. Berkshire Hathaway, Inc., *1983 Annual Report*, chairman’s letter.

6. Schroeder, *The Snowball*, 501.

7. See Jeff Benedict, *How to Build a Business Warren Buffett Would Buy: The R. C. Willey Story* (Salt Lake City: Shadow Mountain, 2009), 1.

8. Stephen W. Gibson, “R.C. Willey Got Its Humble Start Selling Refrigerators to Farmers,” *Deseret News* (Salt Lake City), April 11, 1999.

9. *International Directory of Company Histories*, vol. 72 (Detroit, Mich.: St. James, 2005).

10. Benedict, *The R. C. Willey Story*, 25.

11. Ibid., 158.

12. Ibid., 49, 54.

13. Ibid., 79.

14. Lynn Arave, “R.C. Willey Has Hot Dog of a Slogan,” *Deseret News* (Salt Lake City), January 15, 2002; Benedict, *The R. C. Willey Story*, 85–86.

15. Benedict, *The R. C. Willey Story*, 87–89.

16. Ibid.

17. Ibid., 91–93.

18. Berkshire Hathaway, Inc., *1995 Annual Report*, chairman’s letter; Berkshire Hathaway, Inc., *1999 Annual Report*, chairman’s letter.

19. Benedict, *The R. C. Willey Story*, 110–12.

20. Ibid., 115.

21. Berkshire Hathaway, Inc., *1999 Annual Report*, chairman’s letter.

22. Benedict, *The R. C. Willey Story*, 134,

23. Berkshire Hathaway, Inc., *1999 Annual Report*, chairman’s letter.

24. William H. Child, email to author, May 20, 2014.

25. Facts in the discussion of Star Furniture may be found in a lecture by Melvyn Wolff (Distinguished Leaders Series, Bauer College of Business, University of Houston, March 8, 2005).

26. Ibid.

27. Background concerning Helzberg may be found in *International Directory of Company Histories*, vol. 40 (Detroit, Mich.: St. James, 2001); Ann F. Schulte, *So Far: The Story of Helzberg Diamonds* (Kansas City, Mo.: Helzberg's Diamond Shops, 1990); Barnett C. Helzberg, *What I Learned Before I Sold to Warren Buffett: An Entrepreneur's Guide to Developing a Highly Successful Company* (Hoboken, N.J.: Wiley, 2003).

28. Kevin Coleman, "Rough Start Taught Helzberg Lessons: Perseverance Key to Success," *Columbia Daily Tribune* (Missouri), November 3, 2006.

29. Helzberg, *What I Learned*, xv; Jennifer Mann Fuller, "Warren Buffett to Buy Helzberg Shops; No Plans to Change Location of Headquarters, Management," *Kansas City Star* (Missouri), March 11, 1995.

30. Helzberg, *What I Learned*, xvii; Don Dodson, "Jewelry Firm Sold to Berkshire Hathaway; Dream Comes True," *The News-Gazette* (Champaign-Urbana, Ill.), May 3, 2004.

31. Details in this and ensuing paragraphs draw on Berkshire Hathaway, Inc., *1995 Annual Report*, chairman's letter; Helzberg, *What I Learned*, xv; and Joyce Smith, "Multifaceted Advice: Jeweler Barnett Helzberg Shares Some Secrets Behind His Success," *Kansas City Star* (Missouri), April 9, 2003, reviewing Helzberg's autobiography.

32. See Nick Wreden, "Key to Elevator Pitch: Get Their Attention," *South Florida Sun-Sentinel*, February 11, 2002 (adapted from a Harvard Business School Publishing newsletter).

33. Berkshire Hathaway, Inc., *1995 Annual Report*, chairman's letter: "It took us awhile to get together on price."

34. Helzberg, *What I Learned*, xviii; Dodson, "Jewelry Firm Sold to Berkshire Hathaway", reporting on Helzberg's remarks in a lecture at the University of Illinois College of Business.

35. Exact figures have not been publicly disclosed, but Barnett Jr. has written that his ask was twice what Berkshire ultimately paid, which regulatory filings show were 7,510 Berkshire shares; those closed at $22,200 per share on March 10, 1995, the day the Berkshire-Helzberg deal was announced.

36. Helzberg, *What I Learned*, xvii; Smith, "Multifaceted Advice," reviewing Helzberg's autobiography.

37. Fuller, "Warren Buffett to Buy Helzberg Shops."

38. Historical facts concerning Ben Bridge may be found in *International Directory of Company Histories*, vol. 60 (Detroit, Mich.: St. James, 2004) (hereafter cited as *IDCH*, Bridge).

39. Victoria Gomelsky, "Ed Bridge: Best in the West," *National Jeweler*, August 1, 2003, 58, interview with Ed Bridge, grandson of Ben Bridge.

40. *IDCH*, Bridge.

41. *IDCH*, Bridge; David Volk, "Building a 'Bridge' That Lasts," *Puget Sound Business Journal*, July 17, 1992, 18, interview with Ed Bridge, grandson of Ben Bridge.

42. Ibid.

43. Ibid.

44. Berkshire Hathaway, Inc., *2000 Annual Report*, chairman's letter.

45. Berkshire subsidiaries are encouraged to make acquisitions that help their businesses grow, and subsidiary CEOs to report any other acquisition opportunities to Berkshire. Acting on that policy, an ingrained trait, is especially prevalent among Berkshire's family businesses. For instance, Rose Blumkin of Nebraska Furniture Mart had a sister, Rebecca Friedman, who escaped Russia along with her husband, Louis, just after Mrs. B had. The Blumkins introduced Rebecca's family, which owned Borsheim, an Omaha jewelry store, to Buffett. Berkshire soon acquired it—for the same reasons and following the same pattern as the other family business acquisitions.

46. Berkshire Hathaway, Inc., *1997 Annual Report*, chairman's letter.

47. Berkshire Hathaway, Inc., *1995 Annual Report*, chairman's letter.

7. Self-starters

1. Several managers of Berkshire subsidiaries have received the Horatio Alger Award, including Jim Clayton, Doris Christopher (the Pampered Chef), and Al Ueltschi (FlightSafety). Walter Scott, Berkshire board member and co-owner of Berkshire Hathaway Energy, served as president of the Horatio Alger Society.

2. A. L. Ueltschi, *The History and Future of FlightSafety International* (New York: FlightSafety International, 1999), 26–29. For additional background on FlightSafety, see *International Directory of Company Histories*, vol. 29 (Detroit, Mich.: St. James, 1999).

3. Ueltschi, *The History and Future of FlightSafety International*, 34.

4. Ibid., 44.

5. Bruce N. Whitman, telephone interview by the author, February 10, 2014.

6. Ueltschi, *The History and Future of FlightSafety International*, 56.

7. Bruce N. Whitman, interview by the author at FlightSafety offices, New York, January 14, 2014.

8. Ueltschi, *The History and Future of FlightSafety International*, 68; Whitman, interview, January 14, 2014.

9. Whitman, interview, January 14, 2014.

10. Ueltschi, *The History and Future of FlightSafety International*, 70.

11. Berkshire Hathaway, Inc., *1996 Annual Report*, chairman's letter.

12. Whitman, interview, February 10, 2014.

13. Ibid.

14. Ibid.

15. Historical facts about NetJets may be found in *International Directory of Company Histories*, vol. 36 (Detroit, Mich.: St. James, 2001) (hereafter cited as *IDCH*, NetJets).

16. Anthony Bianco, "What's Better Than a Private Plane? A Semiprivate Plane," *BusinessWeek*, July 21, 1997, 52.

17. Richard T. Santulli, telephone interview by the author, January 24, 2014; see also Warren Berger, "Hey, You're Worth It (Even Now)," *Wired*, June 2001.

18. *IDCH*, NetJets.

19. William Garvey, "Viewpoint: A Head for Business," *Business & Commercial Aviation*, February 1, 2011.

20. *IDCH*, NetJets.

21. New entrants included JetCo, a service of Air London International, and the Business Jet Solutions program offered jointly by Bombardier Aerospace Group and AMR Combs, Inc., the charter affiliate of American Airlines. See *IDCH*, NetJets.

22. *IDCH*, NetJets.

23. Bianco, "What's Better Than a Private Plane?," 52.

24. *IDCH*, NetJets.

25. Santulli, interview.

26. Berkshire Hathaway, Inc., *1998 Annual Report*, chairman's letter.

27. Santulli, interview.

28. Ibid.

29. Ibid.

30. E.g., Berkshire Hathaway, Inc., *2004 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *2007 Annual Report*, chairman's letter.

31. Santulli, interview.

32. Santulli, interview; Ravi Nagarajan, Berkshire Hathaway: In Search of the "Buffett Premium," *The Rational Walk*, 2011, 70, 116–17.

33. E.g., Berkshire Hathaway, Inc., *2009 Annual Report*, chairman's letter.

34. Nagarajan, "Buffett Premium," 117, notes 19–20 (containing references).

35. The facts concerning Garan, Inc., can be found in *International Directory of Company Histories*, vol. 64 (Detroit, Mich.: St. James, 2004).

36. See Garan company website: www.garanimals.com/history.htm; and Nina S. Hyde, Fashion Notes, *Washington Post*, November 4, 1979.

37. Ramon F. Adams, *Western Words: A Dictionary of the Range, Cow Camp and Trail* (Norman: University of Oklahoma Press, 1944).

38. Irvin Farman, *Standard of the West: The Justin Story* (Fort Worth: Texas Christian University Press 1996), 127. Good background about Justin Industries may be found in *International Directory of Company Histories*, vol. 19 (Detroit, Mich.: St. James,1998) (hereafter cited as *IDCH*, Justin).

39. Farman, *Standard of the West*, 133.

40. Ibid., 138.

41. Ibid., 136–37.

42. Ibid., 153–54.

43. Ibid., 155.

44. Farman, *Standard of the West*, 157–58.

45. *IDCH*, Justin.

46. Farman, *Standard of the West*, 172–73.

47. Ibid., 177–83.

48. See Peppercorn Learning, "Selling a Commodity? Baloney!," Pepper Group, www.peppergroup.com/images/PepLearning_CommodityBaloney.pdf.

49. See Ronald Chan, *Behind the Berkshire Hathaway Curtain: Lessons from Warren Buffett's Top Business Leaders* (Hoboken, N.J.: Wiley, 2010), 27–28, recounting an interview with Watson.

50. Berkshire Hathaway, Inc., *2000 Annual Report*, chairman's letter.

51. Chan, *Behind the Berkshire Hathaway Curtain*, 30.

52. Ibid.

53. See Martha Deller, "Top CEO, Strategic Management, Randy Watson of Justin Books," *Fort Worth Business Press*, August 23, 2013.

54. Ibid.

55. Edwin E. Lehr, *Colossus in Clay: Acme Brick Company* (Marceline, Mo.: Walsworth, 1998), 237.

56. Good background about Dairy Queen may be found in *International Directory of Company Histories*, vol. 39 (Detroit, Mich.: St. James, 2001); Caroline Hall Otis, *The Cone with the Curl on Top: The Dairy Queen Story, 1940–1980* (Minneapolis: International Dairy Queen, 1990); and Bob Miglani, *Treat Your Customers: Thirty Lessons on Service and Sales That I Learned at My Family's Dairy Queen Store* (New York: Hyperion, 2006).

57. Otis, *The Cone with the Curl on Top*, 11.

58. Ibid., 34, quoting Sam Temperato.

59. Ibid., 56–57.

60. See William L. Killion, "The Modern Myth of the Vulnerable Franchisee: The Case for a More Balanced View of the Franchisor-Franchise Relationship," *Franchise Law Journal* 23 (2008): 28.

61. Business franchising offered a model that appealed simultaneously to two paradoxical beliefs of many Americans: a veneration of small business and sense that big business is necessary for success. Franchises offered both the personal payoffs of proprietorship along with the competence of corporate America. Thomas S. Dicke, *Franchising in America: The Development of a Business Method, 1840–1980* (Chapel Hill: University of North Carolina Press, 1992). Franchises also have hallmarks of the American dream. For a relatively low initial investment, an entrepreneur of modest means can own and operate a business. Today, this is a standard business model, drawing millions to the excitement of building a business supported by a coordinating organization.

Around 1970, Dairy Queen and numerous other franchisors nationwide faced difficulties. A franchising boom had developed in the 1960s, sprouting 670,000 franchises under 1,000 brands. See Harry Kursh, *The Franchise Boom* (Englewood Cliffs, N.J.: Prentice Hall, 1968). The boom turned to bust, however. A chorus of critics aired tales of unscrupulous franchisors preying on naïve aspirants. These were the "mom-and-pop" proprietors who dreamed of running a business but lacked experience or sophistication. But the reality was not as bad as the salient negative stories suggested. In fact, the U.S. Federal Trade Commission identified occasional rather than pervasive problems. Killion, "The Modern Myth," 26–27nn56–57, quoting FTC's general counsel. Researchers at the University of Wisconsin concluded that the net economic effects of franchising were positive, especially in providing the opportunity of owning a business—the American dream for self-starters. Urban B. Ozanne and Shelby D. Hunt, *The Economic Effects of Franchising* (Washington, D.C.: Government Printing Office, 1971).

62. Killion, "The Modern Myth," 25

63. John W. Mooty, telephone interview by the author, October 3, 2013.

64. Otis, *The Cone with the Curl on Top*, 81–82.

65. Ibid., 82.

66. Ibid., 94; Mooty, interview.

67. Otis, *The Cone with the Curl on Top*, 121.

68. Susan Feyder, "Auto Dealer's Death Influenced IDQ's Decision to Sell," *Star-Tribune*, November 22, 1997.

69. Mooty, interview.

70. Ibid.

71. Stephanie Steinberg, "Around the Water Cooler with Dairy Queen's CEO," *U.S. News & World Report*, July 23, 2013.

72. Michael Webster, "GE Capital Provides $26.5 Million to Dairy Queen Franchisee," *Franchise-Info*, April 27, 2011.

73. Otis, *The Cone with the Curl on Top*, 67, quoting Sam Temperato.

8. Hands Off

1. See, e.g., the classic work of Douglas McGregor, *The Human Side of Enterprise* (1960; annotated ed., New York: McGraw-Hill, 2005).

2. Doris Christopher, *The Pampered Chef: The Story of One of America's Most Beloved Companies* (New York: Currency Doubleday 2005). Additional resources concerning the Pampered Chef include Karen Linder, *The Women of Berkshire Hathaway: Lessons from Warren Buffett's Female CEOs and Directors* (Hoboken, N.J.: Wiley, 2012), chap. 3; Doris Christopher, *Come to the Table* (New York: Hachette, 2008); and *International Directory of Company Histories*, vol. 18 (Detroit, Mich.: St. James, 1997).

3. Michele L. Fitzpatrick, "Recipe for Success," *Chicago Tribune*, April 14, 1996.

4. Linder, *The Women of Berkshire Hathaway*, 76–77.

5. Robert A. Mamis, "Master of Bootstrapping Administration," *Inc.*, August 1, 1995.

6. Christopher, *The Pampered Chef*, 111, 198.

7. Ibid., 148.

8. Ibid., 124, 126.

9. Ibid., 173.

10. Ibid., 173.

11. Ibid., 162–67.

12. Ibid., 166–67. Other Berkshire subsidiaries have resolved the dilemma in the same way. Bill Child of RC Willey said:

> If you grow too fast, the infrastructure and systems of a company aren't able to handle it. Those must grow at the same level that sales grow. Otherwise a company becomes inefficient in the delivery of its product. The result is higher costs and decreased customer satisfaction.

Quoted in Jeff Benedict, *How to Build a Business Warren Buffett Would Buy: The R. C. Willey Story* (Salt Lake City: Shadow Mountain, 2009), 108–9. Before becoming Berkshire subsidiaries, some companies failed to observe such principles. See chap. 11 for the example of Brooks Sports, Inc.

13. Berkshire Hathaway, Inc., *2002 Annual Report*, chairman's letter.

14. Christopher, *The Pampered Chef*, 243–44.

15. Ibid., 196, 242.

16. Berkshire Hathaway, Inc., *1981 Annual Report*, chairman's letter.

17. See Ronald Chan, *Behind the Berkshire Hathaway Curtain: Lessons from Warren Buffett's Top Business Leaders* (Hoboken, N.J.: Wiley, 2010), 116.

18. Ibid., 118.

19. Doris Christopher, author interview at Berkshire Hathaway annual meeting, May 3, 2014.

20. See Jordan v. Scott Fetzer Co., No. 4:07-CV-80, 2009 WL 1885063 (M.D. Ga. June 30, 2009).

21. See Joseph Cahill, "Here's the Pitch: How Kirby Persuades Customers to Shell Out $1,500 for Vacuum," *Wall Street Journal*, October 4, 1999; Greg Dawson, "Kirby Always Cleaning Up After Others," *Orlando Sentinel*, August 27, 2004.

22. See Lee Howard, "Ex-Kirby Employees Can Join Suit," *The Day* (New London, Conn.), March 28, 2012.

23. See Cahill, "Here's the Pitch"; Dawson, "Kirby Always Cleaning Up After Others."

24. See Jordan v. Scott Fetzer Co., No. 4:07-CV-80, 2009 WL 1885063 (M.D. Ga. June 30, 2009); Howard, "Ex-Kirby Employees Can Join Suit."

25. See Robert P. Miles, *The Warren Buffett CEO: Secrets from the Berkshire Hathaway Managers* (Hoboken, N.J.: Wiley, 2003), 357–58, quoting Buffett's written instructions.

26. Alice Schroeder, *The Snowball: Warren Buffett and the Business of Life* (New York: Bantam Dell, 2008), 482.

27. Berkshire Hathaway, Inc., *2009 Annual Report*, chairman's letter.

28. Ibid.

29. In late 2010, Sokol was serving as chairman, CEO, and president of NetJets as well as chairman of both MidAmerican Energy and Johns Manville.

30. Berkshire Hathaway, Inc., 2011 annual meeting, transcript (on file with the author), Buffett's opening comments.

31. Ibid.

32. Ibid., Buffett responding to shareholder questions.

33. See Steve Schaefer, "Buffett Breaks Out Elephant Gun for $9B Lubrizol Buy," *Forbes*, March 14, 2011.

34. See Katya Wachtell, "Meet John Freund: Warren Buffett's Broker of 30 Years and the City Banker Who Alerted Him to Sokol's Deception," *Business Insider*, May 2, 2011.

35. See also, "David Sokol Defends His Controversial Lubrizol Stock Purchases," CNBC transcript, April 1, 2011, www.cnbc.com/id/42365586.

36. Ruling of the Court on Defendants' Motion to Dismiss, In re Berkshire Hathaway Inc. Deriv. Litig., No. 6392-VCL, 2012 WL 978867 (Del. Ch. Mar. 19, 2012).

37. Berkshire Hathaway, Inc., 2011 annual meeting, transcript, Buffett responding to shareholder questions.

38. Ibid., Munger responding to shareholder questions.

39. The Salomon incident is noted in chap. 1.

40. Ben Berkowitz, "Sokol Affair Tarnishes Buffett Style," *Globe & Mail*, March 31, 2011, quoting Charles Elson of the University of Delaware: "The fact that this could happen does raise questions as to the effectiveness of the company's controls to prevent something like this from happening."

41. Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter.

42. Jenny Strasburg, "Buffett Is Seen as Too Trusting," *Wall Street Journal*, March 31, 2011.

43. Berkowitz, "Sokol Affair Tarnishes Buffett Style," quoting John C. Coffee of Columbia University Law School: "It's the kind of behaviour that, as a matter of corporate governance, sophisticated companies try to avoid."

44. There was little reason to believe that a more elaborate control system would have made Sokol do anything differently. Suppose Berkshire had a large compliance department with detailed commands and controls, including a specific procedure for clearing personal investments through a compliance committee. If long-standing general policies Berkshire censured Sokol for violating did not dissuade Sokol's trade, it is not obvious that an additional layer of bureaucracy would. On the contrary, it is possible that command and control would displace the value of the autonomy-and-trust culture and stimulate more behavior that veered close to the edge.

To illustrate, many companies, including Berkshire, have a specific rule barring employee trades in a list of restricted securities. Berkshire's restricted list consists of securities of companies in which it owns positions. But Berkshire's policies are broader, also including a general standard barring trades in securities that Berkshire may acquire. It is easy to compile a complete list of securities a company owns; it is impossible to ensure the completeness of a list of securities it may acquire. A rule-bound command-and-control culture can restrict the former but not the latter; some degree of autonomy and trust is required for that.

45. Berkshire Hathaway 2011 annual meeting, transcript, Munger responding to shareholder questions.

46. See Buffett's testimony before the Subcommittee on Telecommunications and Finance of the Energy and Commerce Committee of the U.S. House of Representatives (1991), reported in "Buffett's 1991 Salomon Testimony," *Wall Street Journal*, May 1, 2010. Buffett's admonition began with the following:

> The spirit about compliance is as important or more so than words about compliance. I want the right words and I want the full range of internal controls. But I also have asked every Salomon employee to be his or her own compliance officer. 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.

47. Berkshire Hathaway 2011 annual meeting transcript, Buffett responding to shareholder questions. By blasting Sokol, the audit committee sent an express warning to all Berkshire personnel. In authorizing Buffett to release the report publicly, it stressed:

> Such a public statement will demonstrate to all who work for Berkshire, as well as the other constituencies Berkshire serves, that the Company takes its policies very seriously, and that its instruction to all its representatives to play in the middle of the court is Company policy, not public relations. We expect this report to send a loud message that those policies are designed to be read broadly, and to deter anyone who may be contemplating a violation of the spirit or letter of those policies in the future.

48. The Sokol affair prompted some Berkshire shareholders to sue the board in Delaware, Berkshire's state of incorporation. They argued that the board had failed to maintain an adequate system of internal control. The complaint echoed the public criticism of Berkshire's autonomy-and-trust culture and urged that the board botched its oversight role by abjuring a command-and-control structure. The court dismissed the assertion as "profoundly weak." Ruling of the Court on Defendants' Motion to Dismiss, In re Berkshire Hathaway Inc. Deriv. Litig., No. 6392-VCL, 2012 WL 978867 (Del. Ch. Mar. 19, 2012).

These shareholders also tried to sue Sokol to recover $3 million in profits for Berkshire, which the board had declined to do. Boards have the say over whether a corporation should sue someone unless shareholders can show that a board is unable to act impartially. The shareholders could not show that the Berkshire board's independence was compromised concerning whether to sue Sokol. The Delaware court acknowledged that Buffett's press release colored the matter, suggesting coziness between Sokol and Buffett that could have biased the board. But that was mere "smoke," the court said, not enough to infect the board's judgment. Ibid.

49. The Sokol affair also reflects Berkshire's sensitivity to public perceptions, which undergirds Buffett's admonition to test employee behavior according to how it would look if reported on the front page of a newspaper. Suppose Sokol, when he first called Buffett, had said, "Warren, I think Lubrizol is an attractive company—so attractive that I just bought $10 million for myself, and I think you ought to look at it for Berkshire." That disclosure would have negated the story. Moreover, Sokol might have gone an extra step to eliminate any doubt about propriety and said, "If Berkshire would like to buy my shares at cost, I'm happy to sell." Buffett's probable response would have been something like, "No, that's fine. If we end up buying it, you're entitled."

50. Dickstein Shapiro, "Statement of Dickstein Shapiro Partner Barry Wm. Levine, Attorney for David Sokol," press release, April 27, 2011.

51. Benedict, *How to Build a Business Warren Buffett Would Buy*, 55–56.

52. Ibid., 56. In some businesses, autonomy can offer integrity to the brand. For example, among Berkshire's scores of newspapers—headlined by the *Buffalo News*—Berkshire management avoids involvement in decisions concerning content or opinion. Managerial oversight is supplied by senior managers at one of the larger papers, the *Omaha World-Herald*. Employees value the autonomy and appreciate the confidence as they respond by respecting journalistic ethics and newspaper editorial policy.

53. Kevin T. Clayton, author's survey of Berkshire executives, October 3, 2013.

54. Jim Clayton and Bill Retherford, *First a Dream* (Knoxville, Tenn.: FSB, 2002), 99.

55. James L. Hambrick, telephone interview by the author, December 20, 2013.

9. Investor Savvy

1. Berkshire Hathaway, Inc., *2013 Annual Report*, 64; W. Grady Rosier (CEO, McLane Company), letter to the author, September 23, 2013.

2. Historical facts concerning McLane may be found in Martha Kahler and Jeff Hampton, *McLane Company, Inc.: The First One Hundred Years* (Temple, Tex.: McLane Company, 1994); see also *International Directory of Company Histories*, vol. 13 (Detroit, Mich.: St. James, 1996).

3. Actually $3.8 million to be more precise. Kahler and Hampton, *McLane*, 63.

4. Ibid., 63.

5. Ibid., 58–59, 62.

6. Ibid., 63.

7. Ibid., 63.

8. See "Berkshire Unit Invests in Missouri Beverage," *St. Louis Post-Dispatch*, April 26, 2013.

9. The strategy to grow by geography is obvious at some Berkshire subsidiaries, such as BH Media, which acquires local newspapers that cater to specific regions, and HomeServices of America, which acquires local residential real estate brokerages that practice in given locales. On the international stage, ISCAR/ICM has grown through serial acquisition of operations in country after country across Europe. In all three cases, tremendous growth opportunities are ahead.

10. See Lawrence A. Cunningham, *Outsmarting the Smart Money* (New York: McGraw-Hill, 2002).

11. The others: Ben Bridge Jewelers, BNSF, Dexter Shoe, FlightSafety, and Gen Re.

12. For example, during its first two decades with Berkshire, See's generated profit of nearly $400 million, yet only required $18 million to reinvest in its business—Berkshire allocated the rest. Berkshire Hathaway, Inc., *1991 Annual Report*, chairman's letter. See's grew sales from $29 million in 1972 to $196 million in 1991; profits grew from $4.2 million pre-tax in 1972 to $42.4 million in 1991. See's delivered its 1991 results on the strength of only $25 million in net worth, the $7 million it boasted in 1971 plus a grand total of $18 million that Berkshire had See's retain. The rest of the earnings See's

generated during that period, a cumulative $410 million, were used by Berkshire for other purposes. By 2013, See's was generating $80 million in annual earnings. David Kass, "Remarks of Warren Buffett at University of Maryland on November 15, 2013," *Robert H. Smith School of Business Blog*, December 8, 2013, http://blogs.rhsmith.umd.edu/davidkass/2013/12.

13. See Prem C. Jain, *Buffett Beyond Value* (Hoboken, N.J.: Wiley, 2010), 139: "From 1986 to 1994, Scott Fetzer's total earnings were $555.4 million, but most were not plowed back into Scott Fetzer."

14. Michael D. Sorkin, "Paul Cornelsen Dies, Former Ralston Exec Won Battlefield Command from Gen. George Patton," *St. Louis Post Dispatch*, January 1, 2012.

15. See Hunter v. MiTek Industries, 721 F.Supp. 1102 (E.D. Mo. 1989).

16. Thomas J. Manenti, telephone interview by the author, October 2, 2013.

17. Jim Healey, *MiTek: A Global Success Story: 1981–2011* (St. Louis, Mo.: MiTek, 2012), 66.

18. Manenti, interview, October 2, 2013.

19. Berkshire Hathaway, Inc., *2001 Annual Report*, chairman's letter.

20. Rexam proved a tough negotiator, responding to Berkshire's initial offer with a counteroffer that it attributed to a recent MiTek acquisition Rexam believed Berkshire's offer had neglected. Berkshire accepted the counteroffer. Healey, *MiTek*, 72–73.

21. Thomas J. Manenti, telephone interview by the author, February 12, 2014.

22. Gibraltar Steel Corporation, press release.

23. As another example, in 2000, Nebraska Furniture Mart acquired Iowa-based Homemakers Plaza, Inc., and in 2005 sold its nonretail manufacturing division. Andrew Kilpatrick, *Of Permanent Value: The Story of Warren Buffett* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), 533.

24. Manenti, interview, October 2, 2013.

25. Historical facts concerning Lubrizol may be found in *International Directory of Company Histories*, vol. 30 (Detroit, Mich.: St. James, 2000).

26. Lubrizol-Noveon, press release, April 2004.

27. James L. Hambrick, telephone interview by the author, December 20, 2013.

28. Ibid.

29. Jefferies Research Analyst Report, December 2006, noting that Noveon's private equity sponsors had made deep cuts in its R&D.

30. Jefferies Research Analyst Report, December 2006.

31. See Ian Austen and Nathaniel Popper, "Paper or Plastic: Britain Joining Currency Trend," *The New York Times*, December 20, 2013.

32. Robert Westervelt, "Lubrizol: Maintaining Margins and Adding Growth to the Mix," *Chemical Week*, September 20, 2010.

33. Peter Rea (former Baldwin Wallace University professor and expert on corporate ethical culture who had researched Lubrizol), email to author, January 8, 2014; see also Alan Kolp and Peter Rea, *Integrity Is a Growth Market* (Mason, Ohio: Atomic Dog, 2005).

34. Jefferies Research Analyst Report, December 2006.

35. Some reports indicated that the sellers could not accept Lubrizol's higher bid because they had made an exclusivity commitment to BASF, while others attributed the decision to a belief that BASF's offer was more likely to close and its funding more secure. Compare "BASF Will Purchase Cognis for $3.9 Billion," *Star-Ledger* (Newark, N.J.), June 23, 2010, with "BASF Close to Cognis Deal as Owners Reject Lubrizol's Offer," *Chemical Week Business Daily*, June 21, 2010.

36. Westervelt, "Lubrizol: Maintaining Margins."

37. Hambrick, interview, December 20, 2013.

38. Berkshire Hathaway, Inc., *2011 Annual Report*, chairman's letter.

39. Jefferies Research Analyst Report, October 2010.

40. See Ronald Chan, *Behind the Berkshire Hathaway Curtain: Lessons from Warren Buffett's Top Business Leaders* (Hoboken, N.J.: Wiley, 2010), 134, calling it a "distressed company" as of 1991.

41. See Jeffrey L. Rodengen, *Kiewit: An Uncommon Company* (Ft. Lauderdale, Fla.: Write Stuff Enterprises, 2009), 155.

42. Ibid., 80, 95, 98.

43. Ibid., 98.

44. Jeff Pelline, "California Energy Relocating to Omaha," *San Francisco Chronicle*, June 20, 1991.

45. Ibid.

46. Judy Schriener, "No Grand Plan but Plenty of Cash," *Engineering News*, March 22, 1993.

47. California Energy Co., Inc., press release, January 10, 1995.

48. See Edward B. Flowers, *U.S. Utility Mergers and the Restructuring of the New Global Power Industry* (Westport, Conn.: Quorum, 1998).

49. James Miller, "CalEnergy Ends $1.92 Billion Bid," *Wall Street Journal*, August 18, 1997.

50. "Cal Energy Board Okays $1.16 Billion Buyout of Kiewit's 30% Stock Holding," *Global Power Report*, September 19, 1997.

51. Chan, *Behind the Berkshire Hathaway Curtain*, 136

52. Ron Insana, Street Signs interview, CNBC, October 25, 1999.

53. Ibid.

54. Ibid.

55. Northern Natural was originally an Omaha-based business, begun in the 1930s. Berkshire Hathaway, Inc., *2002 Annual Report*, chairman's letter. In 1985, Northern Natural, then called Inter North (after a 1980 name change), merged with Houston Natural Gas. The deal called for maintaining headquarters in Omaha, having Inter North's CEO stay in office, and keeping the Inter North name. Within a year, however, Houston Natural Gas breached all three promises: headquarters were moved to Houston, Kenneth R. Lay became CEO, and the name was changed to Enron. Over the next fifteen years, Enron developed exciting energy-based financial projects that were intermingled with elaborate accounting tricks. See Bethany McLean and Peter Elkind, *The Smartest*

Guys in the Room: The Amazing Rise and Scandalous Fall of Enron (New York: Portfolio, 2003).

In late 2001, just before Enron's fraud was uncovered, it obtained financing from Dynegy, a high-flying crosstown rival. As collateral for that loan, Enron staked the old Northern Natural pipeline. When Enron soon defaulted, Dynegy seized it. Shortly thereafter, Dynegy faced financial problems of its own. Seeking liquid funds on a Friday in late July 2001, Dynegy executives called MidAmerican Energy offering to sell Northern Natural. They signed a contract the following Monday. Berkshire Hathaway, Inc., *2002 Annual Report*, chairman's letter.

56. Berkshire Hathaway, Inc., *2008 Annual Report*, 71; Ravi Nagarajan, "Berkshire Hathaway: In Search of the 'Buffett Premium,' " *The Rational Walk*, March 1, 2011, 115.

57. See Richard H. Thaler, *The Winner's Curse: Paradoxes and Anomalies of Economic Life* (Princeton, N.J.: Princeton University Press, 1994).

58. Berkshire Hathaway, Inc., *2013 Annual Report*, chairman's letter.

59. Another example of this more capital-oriented view of acquisitions is Richline Group, a jewelry supplier. Its origins were more the dream of a capitalist entrepreneur than a typical business manager. In May 2006, Buffett gave a lunch talk at Ben Bridge, Berkshire's Seattle-based jewelry chain. The audience included company vendors, among them Dennis Ulrich, owner of a small manufacturer of gold jewelry. In January 2007, Ulrich made Buffett a pitch. With Berkshire capital at his disposal, he could establish a force in the jewelry supply business by acquisitions, he ventured. Buffett bit.

On day one, to form Richline, Berkshire acquired both Aurafin and Bel-Oro International, Inc., each a small jewelry maker, one owned by Ulrich, the other a direct competitor owned by Dave Meleski. Not long after, Bel-Oro made three further acquisitions: Michael Anthony Jewelers, Inverness Corporation, and Leach Garner. In turn, Leach Garner soon made three more acquisitions: Excell Manufacturing, Findings, Inc., and Stern Metals. Presto: at least eight small jewelry makers were combined to forge a much more powerful whole—and there is no doubt more to come. In 2013, Richline acquired HONORA, Inc., a specialist in pearls. Growth has been both geographic and product oriented, but the ultimate motivation? Pooling capital of small operators in order to secure the power of scale.

60. Berkshire Hathaway, Inc., *2012 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *2013 Annual Report*, chairman's letter.

10. Rudimentary

1. Anthony B. Hatch, "Railway Industry Update," presented at Railway Interchange 2011, Minneapolis, Minn., September 18–21, 2011, www.arema.org/files/library/2011_Conference_Proceedings/Hatch-Rail_Renaissance_Final-2011.pdf.

2. Lawrence H. Kaufman, *Leaders Count: The Story of BNSF Railway* (Austin: Monthly Custom Publishing/Texas A&M University Press, 2005), 198–99. Kaufman's book offers an excellent and comprehensive treatment, on which this section draws heavily. The section is supplemented by notes from interviews of rail industry analysts

and investors developed by Steven Keating of the George Washington University Investment Office (hereafter cited as Keating, Interview Notes).

3. See Frank N. Wilner, *Railroad Mergers: History, Analysis, Insight* (New York: Simmons-Boardman, 1997).

4. In 1980, Burlington Northern acquired the St. Louis–San Francisco Railway (Frisco), which was also created in 1849, whose main lines linked Chicago and Seattle with branches off to Alabama, Texas, and Wyoming. By 1994, Burlington Northern was the largest of the dozen American railways in its class.

5. Kaufman, *Leaders Count*, 266.

6. Ibid., 266, 268.

7. Ibid., 230.

8. Ibid., 227.

9. Ibid., 225.

10. Keating, Interview Notes.

11. Kaufman, *Leaders Count*, 171.

12. Ibid., 268–69.

13. Ibid., 274.

14. Ibid., 282–83.

15. Ibid., 320.

16. Ibid.

17. Ibid., 323.

18. Ibid., 328.

19. Berkshire Hathaway, Inc., *2013 Annual Report*, 64–65.

20. Keating, Interview Notes.

21. Ibid.

22. Berkshire-BNSF Joint Prospectus and Proxy Statement, December 23, 2009, 35–39.

23. Kaufman, *Leaders Count*, 344, 371 (Rose).

24. In late 2013, BNSF announced a managerial transition, in which Rose, who had been CEO and chairman, relinquished those roles and became executive chairman, while Ice, who had been president, retained that role and added the role of CEO. BNSF, "BNSF Railway Announces CEO, Executive Chairman Transition," press release, December 11, 2013.

25. For a rich and fascinating history of Shaw Industries, on which this section draws, see Randall L. Patton, *Shaw Industries: A History* (Athens: University of Georgia Press, 2002).

26. Ibid., 85.

27. Ibid., 152.

28. Ibid.

29. Berkshire Hathaway, Inc., *2000 Annual Report*, chairman's letter.

30. Ibid.

31. Berkshire Hathaway, Inc., *2004 Annual Report*, chairman's letter, noting that Shaw's costs "remain under pressure today" but "earned an outstanding 25.6 percent on

tangible equity in 2004," being a "powerhouse." The downturn in the housing sector that began in 2008 posed challenges, of course.

32. Historical facts concerning Fruit of the Loom may be found in *International Directory of Company Histories*, vol. 25 (Detroit, Mich.: St. James, 1999) (hereafter cited as *IDCH*, Fruit of the Loom).

33. Psalm 127:3.

34. Historians debate the meaning of the term *union suit*. Some believe it described the outfit, a combination of underpants and undershirt, joined together about the waist. Others say the name referenced those who famously wore them, namely the troops of the Union Army during the Civil War. Either way, Goldfarb adapted the label as the moniker for his fledgling company, the Union Underwear Company. *IDCH*, Fruit of the Loom.

35. Ibid.

36. David Greising, "Bill Farley in on Pins and Needles," *BusinessWeek*, September 18, 1989, 58; Jonathan R. Laing, "Love that Leverage!" *Barron's*, May 1, 1989, 6.

37. Michael Oneal, "Fruit of the Loom Escalates the Underwars," *BusinessWeek*, February 22, 1988, 114.

38. "Profit Surges 38 Percent on Moves to Reduce Labor Expenses," *Wall Street Journal*, April 16, 1998.

39. Buffett summarized the deal. *Buyer*: Philadelphia and Reading Coal and Iron (P&R), an anthracite producer with a declining business but lots of cash and tax credits. *Seller*: Union Underwear had $5 million in cash with annual pre-tax earnings of $3 million. *Terms*: purchase price of $15 million, paid for as follows: $9 million of non–interest bearing notes payable from 50 percent of Union earnings in excess of $1 million; $2.5 million from Union's existing cash balances; and the rest ($3.5 million) apparently paid by P&R in cash. Buffett wrote of the deal in his 2001 letter to Berkshire shareholders: "Those were the days; I get goose bumps just thinking about such deals." Berkshire Hathaway, Inc., *2001 Annual Report*, chairman's letter.

40. There had been several other final bidders in an active process during which the administrators identified as many as twenty-nine prospective buyers. Fruit of the Loom Bankruptcy Disclosure Statement (Dec. 28, 2001) (filed on Form 8-K with the Securities and Exchange Commission).

11. Eternal

1. Jim Weber, telephone interview by the author, October 11, 2013.

2. Historical facts about Brooks may be found in *International Directory of Company Histories*, vol. 32 (Detroit, Mich.: St. James, 2000) and Liz Murtaugh Gillespie, *Running Through the First 100 Years* (Seattle, Wash.: Brooks Sports, Inc., 2014) .

3. Jeanne Sather, "Shoemaker Brooks Takes Its First Steps on Comeback Trail," *Puget Sound Business Journal*, July 1, 1994, 6.

4. Helen Jung, "Brooks Shoe Chief Wants to Run Up Profits, Reputation," *Knight-Ridder/Tribune Business News*, January 31, 1994.

5. Leigh Gallagher, "Runner's World," *Forbes*, February 22, 1999, 96.

6. Weber, interview; see Catherine New, "Brooks' CEO Jim Weber Explains How He Turned Around a Near-Bankrupt Business," *Huffington Post*, April 24, 2013.

7. The anecdote is from the telephone interview with Jim Weber.

8. Weber, interview.

9. Ibid.

10. Joel Silvey, email to author (April 3, 2014). Some of the historical facts concerning Forest River may be found at Joel Silvey's website *Pop-up Camper History*, www.popupcamperhistory.com/rockwood.php.

11. Sherman Goldenberg, "RVB Announces '05 Newsmaker of the Year," *RV Business*, November 17, 2005.

12. Berkshire Hathaway, Inc., *2005 Annual Report*, chairman's letter.

13. Ibid.

14. Ibid. Here is Buffett's succinct version of this tale from his 2005 chairman's letter:

> Pete is a remarkable entrepreneur. Some years back, he sold his business, then far smaller than today, to an LBO operator who promptly began telling him how to run the place. Before long, Pete left, and the business soon sunk into bankruptcy. Pete then repurchased it. You can be sure that I won't be telling Pete how to manage his operation.

15. Berkshire Hathaway, Inc., *2005 Annual Report*, chairman's letter.

16. Ibid.

17. Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter.

18. Berkshire Hathaway, Inc., *2005 Annual Report*, chairman's letter.

19. Berkshire Hathaway, Inc., *2012 Annual Report*, inside back cover.

20. Berkshire Hathaway, Inc., *2013 Annual Report*, inside back cover.

21. Berkshire Hathaway, Inc., *2013 Annual Report*, chairman's letter.

22. Sherman Goldenberg, "Berkshire Hathaway to Purchase Forest River," *RV Business*, July 20, 2005.

23. Michael J. De La Merced, "Berkshire to Buy Oriental Trading Co.," *New York Times*, November 2, 2012.

24. Dawn McCarty, "Oriental Trading Co. Files for Bankruptcy in Delaware," *Bloomberg*, August 25, 2010.

25. Berkshire Hathaway-Oriental Trading, "Berkshire Hathaway to Acquire Oriental Trading," press release, November 2, 2012.

26. "CTB Inc. Founder Howard S. Brembeck Dies at 100," *Grain News*, December 7, 2010.

27. www.legacy.com/obituaries/onlineathens/obituary.aspx?page=lifestory&pid=145385602#fbLoggedOut

28. CTB, "CTB International Corp. Announces Agreement to Be Acquired by Berkshire Hathaway," press release (August 19, 2002).

29. *International Directory of Company Histories*, vol. 26 (Detroit, Mich.: St. James, 1999).

30. Technically, the buyer was Wesco Financial Corporation, then an 80 percent–owned Berkshire subsidiary subsequently merged into Berkshire. Wesco, which had been overseen for many years by Berkshire vice chairman Charlie Munger, owned a few subsidiaries.

31. Berkshire Hathaway, Inc., *2000 Annual Report*, chairman's letter.

32. Units Magazine, National Apartment Association, August 1, 2012, vol. 36, issue 8.

33. Berkshire Hathaway, Inc., *2013 Annual Report*, chairman's letter.

34. Andrew Kilpatrick, *Of Permanent Value: The Story of Warren Buffett* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), 585.

35. Berkshire Hathaway, Inc., *2006 Annual Report*, chairman's letter.

36. Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter.

37. Berkshire Hathaway, Inc., *2006 Annual Report*, chairman's letter.

38. Ibid.

39. Ibid.

40. Berkshire Hathaway, Inc., *2010 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *2013 Annual Report*, chairman's letter.

41. Berkshire Hathaway, Inc., *1985 Annual Report*, chairman's letter.

12. All One

1. Berkshire acquired 60 percent of the Marmon Group in 2008, with planned incremental additions over ensuing years through 2014 to reach 100 percent.

2. Jeffrey L. Rodengen, *The Marmon Group: The First Fifty Years* (Ft. Lauderdale, Fla.: Write Stuff Syndicate, 2002). Historical facts concerning the Marmon Group may also be found in *International Directory of Company Histories*, vol. 70 (Detroit, Mich.: St. James, 2005) (hereafter cited as *IDCH*, Marmon); and in Cynthia Hutton, "The Pritzkers: Unveiling a Private Family," *Fortune*, April 25, 1988.

3. Another brother, A.N.'s youngest son Donald, shared such genes, building the Hyatt Hotel chain before dying at age 39 in 1972.

4. Berkshire has the same policy. But given that it generally does not do turnarounds, it has seldom been applied. To the extent that Berkshire might engage in something like a turnaround, it would tend to involve a financial rather than an operational turnaround, i.e., improving a weak balance sheet rather than retooling manufacturing, distribution, and other business infrastructure.

5. Some aspects of the saga are recorded in one of the resulting lawsuits, Schulwolf v. Cerro Corp., 380 N.Y.S.2d 957 (Sup. Ct. N.Y. 1976), which also references the proxy statement and other transaction documents.

6. Frederick C. Klein, "Family Business: The Pritzkers Are an Acquisitive Bunch Which Pays Off Well," *Wall Street Journal*, March 27, 1975.

7. Wells Lamont has been an exhibitor at Berkshire Hathaway annual meetings.

8. Rodengen, *The Marmon Group*, 11, 58.

9. *IDCH*, Marmon.

10. Smith v. Von Gorkom, 488 A.2d 858 (Del. 1985).

11. Ibid.

12. Rodengen, *The Marmon Group*, 73.

13. *IDCH*, Marmon: "During the late 1980s, The Marmon Group had grown to such an extent that some observers had begun to question the ability of its corporate structure to handle its holdings, which were becoming increasingly diverse, both technically and geographically."

14. See Taina Rosa, "Sentinel Capital Takes Colson Group," *Daily Deal*, April 17, 2012; "Contify, Advent, Goldman Sachs to Acquire Trans Union," February 18, 2012.

15. For details of ITW's corporate history, see *ITW: Forging the Tools of Excellence*, ITW, www.itw.com/100Years/Book.

16. Ross Foti, "John Nichols Takes Charge," *Forward Online*, May/June 2005, http://forward.msci.org/articles/?id=50. By 2012, ITW had 800 businesses, which signaled its maximum, as two successive CEOs embarked on a divestiture program to scale back the number by 25 percent. See Meribah Knight, "Retooling: ITW's New CEO Plots Change While Preserving Culture," *Crain's Chicago Business*, March 25, 2013.

17. Foti, "John Nichols Takes Charge."

18. The purchase price was in part a function of earnings variables that would not be known until the end of the purchase period in 2014.

19. Berkshire Hathaway, Inc., *1988 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *2008 Annual Report*, chairman's letter.

20. The Marmon Group LLC, *2012 Annual Brochure*.

21. James E. Schrager, "Pritzker Deliberate and Clear," *Chicago Tribune*, November 6, 2011.

22. See David Roeder, "In a Town That Beckons the Dealmaker, Jay Pritzker Was the Biggest," *Chicago Sun Times*, January 29, 1999.

23. Klein, "Family Business." As the investment banker J. Ira Harris explained during this period, that collegiality "gives them the kind of flexibility that doesn't exist elsewhere at their level of operations. They've closed a lot of important deals because they were able to move faster than the competition."

24. Marylin Bender, "Another Gamble for the Pritzkers," *New York Times*, February 26, 1984.

25. Ibid.

26. William Gruber, "The Marmon Group Catalogs 39 Percent Drop in Profits," *Chicago Tribune*, May 13, 1991.

27. Bender, "Another Gamble for the Pritzkers."

28. Rodengen, *The Marmon Group*, 69, quoting Robert C. Gluth, executive vice president and treasurer.

29. Tony Kaye, "The Marmon Group Keen to Expand Atlas to Asia," *The Age* (Australia), September 2, 1995.

13. Berkshire's Portfolio

1. Berkshire-BNSF Joint Prospectus and Proxy Statement, December 23, 2009, 35–39; Scott A. Barshay (Cravath, Swaine & Moore, counsel for BNSF), e-mail to the author, February 22, 2014.

2. See Prem C. Jain, *Buffett Beyond Value* (Hoboken, N.J.: Wiley, 2010), 173.

3. See Berkshire Hathaway, Inc., *2013 Annual Report*, note 4 to "Consolidated Financial Statements." This is Berkshire's actual purchase price and tax basis, not adjusted for inflation.

4. Berkshire's total assets were then reported at $485 billion—understated because reported mostly at historical cost, less depreciation, rather than at market value.

5. Andrea Frazzini, David Kabiller, and Lasse H. Pedersen, "Buffett's Alpha," National Bureau of Economic Research Working Paper No. 19681 (Cambridge, Mass.: National Bureau of Economic Research, 2013).

6. In 2008, Berkshire invested in $4.4 billion of 11.45 percent notes of Wrigley when Mars, Inc. acquired it, and the debt was extinguished in 2013. Berkshire Hathaway, Inc., *2013 Annual Report*, note 3 to "Consolidated Financial Statements."

7. Graham Holdings, "Graham Holdings and Berkshire Hathaway Reach Agreement in Principle for Berkshire Hathaway to Acquire WPLG-TV," press release, March 12, 2014.

8. The historical facts concerning the Washington Post Company may be found in the *International Directory of Company Histories*, vol. 20 (Detroit, Mich.: St. James, 1998), on which this section draws heavily.

9. New York Times Co. v. United States, 403 U.S. 713 (1971).

10. Katharine Graham, *Personal History* (New York: Vintage, 1998), 441–42.

11. Donald E. Graham, "Mr. Buffett Joins a Board," *Concurring Opinions* (blog), May 20, 2013, www.concurringopinions.com/archives/author/donald-graham.

12. Graham, *Personal History*, 534.

13. Historical facts about brand development and acquisitions by P&G in this section can be found in *International Directory of Company Histories*, vol. 67 (Detroit, Mich.: St. James, 2005); see also Davis Dyer, Frederick Dalzell, and Rowena Olegario, *Rising Tide: Lessons from 165 Years of Brand Building at Procter & Gamble* (Boston: Harvard Business School Press, 2004).

14. E.g., Michael Barnett, "Ten Brands that Gain the Most Admiration from Marketers," *Marketing Week*, August 2, 2012.

15. I have been a shareholder of P&G since 1997 (and of Gillette from 1998 through its merger with P&G) and report stock price figures from my year-end account

statements. As it happens, I added a significant number of shares in P&G in March 2000 at a price of $61.625 per share.

16. "12 CEOs in 12 Decades," P&G, www.pg.com/en_US/downloads/media/Fact_Sheets_Leadership.pdf. See Dyer, Dalzell, and Rowena, *Rising Tide*, 301–30, referring to the period as a crisis and pointing to problems arising from Jager's reorganization effort, including impaired morale, disempowerment, lack of collaboration, insufficient attention to supporting management systems, and other cultural problems.

17. See Ellen Byron, "P&G and Gillette Find Creating Synergy Can Be Harder Than It Looks," *Wall Street Journal*, April 24, 2007.

18. Ray Fisman, "Culture Clash: Even a Merger Made in Heaven Can Get Off to a Rocky Start," *Slate*, December 3, 2013.

19. Robert J. Hagstrom, *The Warren Buffett Way*, 3d ed. (Hoboken, N.J.: Wiley, 2013), 103.

20. Obituary, *New York Times*, December 27, 1985.

21. Glenn Collins, "Shift in Focus Is Expected at Coca-Cola," *New York Times*, October 20, 1997; Hagstrom, *The Warren Buffett Way*, 105.

22. Tammy Joyner, "Impact on Morale, Corporate Culture at Firm to Suffer [as] Coke Slims," *Atlanta Journal and Constitution*, January 27, 2000; Amanda Andrews, "Fizz Falls Flat for Drink That was the Tops," *Express on Sunday* (U.K.), February 20, 2005.

23. Wang Zhuoqiong, "The Endless Quest to Quench Palates," *China Daily*, June 14, 2013.

24. See James B. Stewart, "For Coke, Challenge Is Staying Relevant," *New York Times*, February 28, 2014.

25. This profile of Walmart draws on *International Directory of Company Histories*, vol. 63 (Detroit, Mich.: St. James, 2004).

26. Jeffrey L. Rodengen, *The Marmon Group: The First Fifty Years* (Write Stuff Syndicate, 2002), 47.

27. See Patricia Sellers and Suzanne Barlyn, "Can Wal-Mart Get Back the Magic?," *Fortune*, April 29, 1996; Carol J. Loomis, "Sam Would Be Proud," *Fortune*, April 17, 2000.

28. See Andrew Kilpatrick, *Of Permanent Value: The Story of Warren Buffett* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), 613.

29. Berkshire Hathaway, Inc., *2013 Annual Report*, note 4 to "Consolidated Financial Statements."

30. Historical facts about USG Corporation may be found in *International Directory of Company Histories*, vol. 26 (Detroit, Mich.: St. James, 1999); and Thomas W. Foley, *United States Gypsum: A Company History (1902–1994)* (Chicago: USG Corporation, 1995).

31. Foley, *United States Gypsum*, 49.

32. Christina Duff, "Costly Recapitalization Drives USG Corp. to the Wall," *Wall Street Journal*, June 3, 1992.

33. James P. Miller, "USG Modifies 'Prepackaged' Chapter 11 Plan," *Wall Street Journal*, January 25, 1993.

34. "Berkshire Hathaway Reports Big Stake in USG," *New York Times*, November 28, 2000.

35. Jonathan D. Glanter, "Asbestos Bankruptcies Face Setbacks on Two Fronts," *New York Times*, June 4, 2004.

36. Sandra Guy, "USG Chairman Foote to Retire; CEO to Take Over," *Chicago Sun-Times*, September 27, 2011.

37. H. Lee Murphy, "Focus: Corporate Boards," *Crain's Chicago Business*, October 4, 2010.

38. Holly LaFon, "Warren Buffett Owns 30% of USG After Converting Crisis-Era Notes," *GuruFocus*, January 3, 2014, www.gurufocus.com/news/241558/warren-buffett-owns-30-of-usg-in-fruition-of-crisisera-deal.

39. Guy, "USG Chairman Foote to Retire."

40. Jim Metcalf, interview by Sara Eisen, *Bloomberg Surveillance*, Bloomberg TV, November 7, 2013.

41. Berkshire Hathaway, Inc., *2013 Annual Report*, chairman's letter.

42. Historical highlights about Heinz in this section can be found in *International Directory of Company Histories*, vol. 36 (Detroit, Mich.: St. James, 2001); see also Robert C. Alberts, *The Good Provider: H.J. Heinz and His 57 Varieties* (Boston: Houghton Mifflin, 1973); and Eleanor Foa Dienstag, *In Good Company: 125 Years at the Heinz Table, 1869–1994* (New York: Warner, 1994).

43. Annie Gasparo, "Three More Longtime Executives Leaving Heinz," *Dow Jones*, January 13, 2014.

44. Berkshire Hathaway, Inc., *2012 Annual Report*, chairman's letter.

14. Succession

1. See Van Pelt's letter at www.larsonjuhl.com/docs/Customer%20Communication.pdf. The letter continued:

> This change may come as a surprise and you may have questions or concerns. I can assure you that the company remains committed to serving your framing needs in the future. Further, I've personally received a commitment from Warren Buffett that Berkshire Hathaway has no intention of selling Larson-Juhl and that he continues to believe strongly in the prospects for the company and the industry. Over the next 30 days, I will be in "learning mode." . . . I ask for your patience as I learn more about your businesses and the custom framing industry.

2. Noah Buyayar and Laura Colby, "Buffett Leans on 29-Year-Old to Oversee Problems," *Bloomberg BusinessWeek*, January 21, 2014.

3. I published a different version of this overview as "Buffett's Ultimate Achievement: Berkshire Is Bigger than Him," *Beyond Proxy* (blog), April 14, 2013, www.beyondproxy.com/lawrence-cunningham-the-essays-of-warren-buffett.

4. Berkshire Hathaway, Inc., *2006 Annual Report*, chairman's letter.

5. E.g., Berkshire Hathaway, Inc., *2012 Annual Report*, chairman's letter; and Berkshire Hathaway, Inc., *2013 Annual Report*, chairman's letter.

6. Other long-serving Berkshire subsidiary executives are Tony Nicely of GEICO (employee since 1961, CEO since 1993); Irv and Ron Blumkin of Nebraska Furniture Mart (employees since their youth at the company Berkshire acquired in 1983); and Brad Kintsler of See's (began at Berkshire in 1987).

7. Ross Foti, "John Nichols Takes Charge," *Forward Online*, May/June 2005, http://forward.msci.org/articles/?id=50.

8. Ibid.

9. Buffett's letters describing these pledges are posted on the Berkshire Hathaway website.

10. In shareholder surveys for this book, a substantial majority indicated that Berkshire is among their largest holdings.

11. For example, from 2001 through 2012, share turnover in Berkshire stock was never greater than 0.34 percent for Class A or 0.615 percent for Class B, except that Class B in the later years increased after Berkshire split that class of stock and used it to pay for the BNSF acquisition. (See table 14.5.)

For comparison, consider Berkshire's two most recently acquired public companies. From 2001 through its acquisition by Berkshire, BNSF stock turned over as much as 3.00 percent; in six of those years greater than 1 percent; and always higher than Berkshire. Lubrizol turnover was as high as 3.6 percent; nine of those years greater than 1 percent; and always higher than Berkshire.

Turnover is low compared with other insurance companies: ACE is always at least 0.966 percent and as high as 2.873 percent; Allstate is always higher than 0.886 percent and as high as 2.785 percent. Finally, compare Berkshire to various conglomerates, such as General Electric, United Technologies, Danaher, Robert Half, Fluor, or Level 3 Communications, which turned over during that period as much as 6 percent, always greater than 1 percent, and often around 4 or 5 percent.

12. In table 14.5, for example, all companies but Berkshire and General Electric are held 80 to 90 percent by institutions, with General Electric's institutional holders around 60 percent.

13. Debbie Bosanek (assistant to Warren Buffett), e-mail exchange with author, March 7–8, 2014. I reference the historical figures and the sources in *The Essays of Warren Buffett: Lessons for Corporate America* (New York: Cunningham Group, 1997, 2001, 2008, 2013).

14. See Andrew Kilpatrick, *Of Permanent Value: The Story of Warren Buffett* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), chap. 170.

15. See Andrew Ross Sorkin, "For Buffett, the Past Isn't Always Prologue," *New York Times*, May 6, 2013, quoting Munger's admonition to "the many Mungers in the audience" at Berkshire's 2013 annual meeting. Munger has in recent years transferred a substantial portion of his Berkshire shares to charitable organizations and family members. See Steve Jordan, "Donations Bring the Value of Charlie Munger's Berkshire Stock Below $1 Billion," *Omaha World-Herald*, June 13, 2013.

Table 14.5

Stock Turnover in Related Companies

	Class A	Class B	BNSF	Lubrizol	GE	UT	DHR	R. Half	LLL	Fluror	ACE	Allstate
2001	0.060	0.538	0.857	1.056	0.549	1.332	1.777	0.911	4.337	1.689	1.795	0.934
2002	0.064	0.449	0.867	0.846	0.691	1.437	1.926	1.145	4.824	1.532	2.124	0.857
2003	0.072	0.457	0.822	0.969	0.504	1.220	1.628	1.173	3.035	1.797	1.472	0.886
2004	0.057	0.398	1.017	1.741	0.524	1.066	1.114	1.412	2.067	1.898	1.152	0.909
2005	0.078	0.430	1.442	1.420	0.477	0.895	1.234	1.329	1.874	2.012	1.230	1.062
2006	0.082	0.369	1.747	1.129	0.605	0.901	1.076	1.663	2.095	2.877	0.966	1.033
2007	0.103	0.304	2.243	1.940	0.921	1.159	1.346	1.827	1.743	3.644	1.338	1.576
2008	0.240	0.564	3.033	2.662	1.982	1.800	2.024	2.876	2.186	6.172	2.873	2.373
2009	0.239	0.615	2.692	3.183	2.798	1.583	1.841	2.987	2.324	5.272	1.822	2.785
2010	0.346	2.085	0.585	2.797	1.706	1.286	1.393	2.570	2.052	3.698	2.146	2.205
2011	0.151	1.324		3.605	1.522	1.290	1.465	2.994	2.255	3.211	1.641	2.373
2012	0.157	0.981			1.085	1.138	1.131	2.371	1.700	2.583	1.186	2.124

GE, General Electric; UT, United Technologies; DHR, Danaher; R. Half, Robert Half; LLL, Level 3 Communications.

16. Gates owns a large portion of Berkshire Class A shares through a company he owns called Cascade Investment LLC.

17. Shareholder portfolio concentration is also rare in most companies in which Berkshire has concentrated holdings, such as a Coca-Cola, IBM, and P&G. It is more common at American Express and Wells Fargo due to the presence of a number of Berkshire shareholders who likewise hold concentrated positions in those companies.

18. Berkshire's shareholder demographic more closely resembles that of other conglomerates with influential founding shareholders, such as Danaher (founded and controlled by Mitchell and Steven Rales) and Level 3 Communications (founded and controlled by Berkshire board member Walter Scott).

19. In shareholder surveys for this book, nearly 100 percent of respondents agreed with the assertions that Berkshire is best conceived of as a partnership and boasts an owner orientation.

20. In shareholder surveys for this book, no one indicated willingness to accept a premium of less than 30 percent, a majority indicated unwillingness to sell except for a minimum premium of 50 percent, and a sizable portion said they would hold out for at least a 100 percent premium.

21. I published a different version of this overview as "Should Berkshire Hathaway Go Private?," *Beyond Proxy* (blog), April 15, 2013, www.beyondproxy.com/berkshire-hathaway-go-private.

22. E.g., Warren E. Buffett, "An Owner's Manual," Berkshire Hathaway, first published in June 1996, updated March 1, 2014, www.berkshirehathaway.com/ownman.pdf.

23. Howard G. Buffett, e-mail to the author, March 6, 2014.

15. Challenges

1. Berkshire Hathaway, Inc., *2001 Annual Report*, chairman's letter.

2. Yellow Freight and Roadway Express merged in 2003 and in 2009 renamed the resulting company YRC for Yellow Roadway Corporation.

3. See Jean-Paul Rodrigue and Brian Slack, "Intermodal Transportation and Containerization," in *The Geography of Transport Systems* (New York: Routledge, 2013), chap. 3, concept 6, http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c6en.html.

4. Geert De Lombaerde, "Fechheimer President Exits," *Cincinnati Business Courier*, May 16, 1998; Andrew Kilpatrick, *Of Permanent Value: The Story of Warren Buffett* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), 438.

5. See Karen Linder, *The Women of Berkshire Hathaway: Lessons from Warren Buffett's Female CEOs and Directors* (Hoboken, N.J.: Wiley, 2012), 93.

6. "Barry Tatelman Leaves Jordan's Furniture," *Boston Globe*, December 21, 2006.

7. Berkshire Hathaway, Inc., *1985 Annual Report*, chairman's letter (discussing Scott Fetzer: "Haphazard approach to acquisitions . . . no master strategy, no corporate planners.").

8. Berkshire Hathaway, Inc., *2000 Annual Report*, chairman's letter (regarding Justin: "Here again, our acquisition involved serendipity").

9. Berkshire Hathaway, Inc., *1996 Annual Report*, chairman's letter (regarding Kansas Bankers Surety: "Carefully crafted and sophisticated acquisition strategy").

10. See Deborah DeMott, "The Skeptical Principal," *Concurring Opinions* (blog), May 21, 2013, www.concurringopinions.com/archives/2013/05/the-skeptical-principal.html.

11. References to companies in the notes accompanying this discussion are to Buffett's descriptions of the acquisitions in related shareholder letters found in the Berkshire Hathaway annual reports. A few acquisitions involved interesting stories that make the source harder to classify. Examples include BNSF and GEICO, gradual acquisitions of control, the latter dating back many decades to Ben Graham; Nebraska Furniture Mart (through Omaha connections); and Clayton Homes (suggested by University of Tennessee students of Prof. Al Auxier; Berkshire followed up with owner directly).

12. Seller overture (in a pure sense; if it was the owner's idea but prompted by other links, the deal is listed under those other links): Fechheimer Bros.; Helzberg Diamonds (walking down the street in New York City); Ben Bridge (Ed Bridge called, after talking with Barnett Helzberg); MiTek (subsidiary CEO sent package in mail with parent's permission); Larson-Juhl; Forest River; Business Wire (actually from CEO, suggesting owner would approve); ISCAR; Richline (owner heard Buffett speak at a Ben Bridge lunch); Star Furniture (through an intermediary; endorsed by Blumkins and Child; contacted Robert Denham); Willey (through an intermediary; Child asked Irv Blumkin).

13. Business relationship: Gen Re (Ronald Ferguson); U.S. Liability (Ferguson); Applied Underwriters (Ajit Jain did a deal with owners); Dairy Queen (banker introduced a year before Rudy Luther died, then done quickly); Benjamin Moore (Robert Mundheim); NetJets (customer; Richard Santulli called); Shaw Industries (after discussing aborted insurance deal); McLane (Byron Trott, Goldman Sachs); the Marmon Group (seeds date to 1954 when Buffett met Jay Pritzker).

14. Friend/relative: NICO (Jack Ringwalt); Central States (Bill Kizer); Kansas Bankers Surety (at niece's birthday party); H.H. Brown (John Loomis golfing with Frank Rooney); XTRA (Julian Robertson); TTI (John Roach, friendship seemed to arise with Justin); MidAmerican (Walter Scott Jr.).

15. Berkshire overture: Scott Fetzer (wrote CEO amid waning takeover contest); Jordan's Furniture (implicitly, asking Blumkins, Bill Child, and Melvyn Wolff); Johns Manville (announced deal broke off; Berkshire stepped up); Fruit of the Loom (made offer in bankruptcy).

16. Stranger: CORT (acquaintance sent fax); FlightSafety (shareholder of both wrote to Robert Denham); Justin (someone faxed about co-investing proposal).

17. The Marmon Group ("Done in the way Jay would have liked . . . price using only Marmon's financial statements, no advisors, no nit-picking."); Fechheimer (no visit to Cincinnati headquarters); Borsheim (no due diligence).

18. The Pampered Chef ("Took me about ten seconds to decide"); FlightSafety ("In about 60 seconds I knew"); MiTek ("It took me only a minute to realize").

19. Ben Bridge (Ed Bridge called Buffett).

20. Larson-Juhl ("In ninety minutes we reached an agreement"); Star Furniture (we "made a deal in a single, two-hour session"); McLane ("single meeting of about two hours"); TTI (met in the morning "and made a deal before lunch").

21. NetJets ("We quickly made a $725 million deal"); CORT ("quickly purchased").

22. The Pampered Chef ("We promptly made a deal").

23. Jordan's Furniture ("We soon signed an agreement"); Justin ("Soon after [meeting], we bought Justin for $570 million in cash"); Clayton ("soon thereafter"); Richline ("soon made a deal . . . ").

24. MiTek ("We made a cash offer . . . and before long had a deal"); Kansas Bankers Surety ("Before long we had a deal"); Business Wire (reached agreement "before long").

25. Forest River (offer made on June 22; handshake agreement reached on June 28).

26. Johns Manville ("A week later we signed a contract"); Larson-Juhl ("In ten days we had signed a contract"); FlightSafety ("A month later, we had a contract").

27. McLane ("Twenty-nine days later Walmart had its money").

28. The following summaries are based on SEC filings for the respective transactions. Benjamin Moore (Berkshire offered price; no counter); BNSF (Berkshire offered price; seller asked for more; Berkshire said no); Clayton Homes (Berkshire offered price; board had CEO ask for more; Berkshire said no); CTB (Berkshire offered price, actually went down a quarter for adviser fees; Berkshire said that is it); Dairy Queen (Berkshire offered price; no further discussion); Fruit of the Loom (Berkshire offered single bid in bankruptcy at end of auction process and won); Garan (seller sought price above $60; Berkshire offered $60 and that was that); Gen Re (Buffett proposed the exchange ratio and Gen Re went along); Johns Manville (Berkshire offered price; board tried to get more; Berkshire said no); Justin (Berkshire offered price; there was another bidder in the picture who left; no further discussion); Lubrizol (Berkshire offered price; seller tried to get more; Berkshire said no); Shaw Industries (Berkshire offered price; board/banker asked for more; Berkshire said that is our best price); XTRA (Berkshire offered $59; seller asked is that your best offer; Berkshire said it was).

In the case of public company acquisitions, there were only two exceptions to this dynamic, when a seller replied to a bid seeking more and extracted a higher bid. But in each of these two deals, Buffett and Berkshire had investment partners in the transaction and it was they, the disclosure suggests, who were willing to play the dickering game. One involved Heinz, an acquisition in which Berkshire is a 50 percent partner with 3G Capital. The buyers bid $70 per share; Heinz asked for more, and the buyers upped and closed at $72.50. The other involved MidAmerican Energy (later renamed Berkshire Hathaway Energy). In that deal, Berkshire was joined by co-investors Walter Scott and David Sokol. The bid was $34.60; the sellers got the buyers to move first to $35 and finally to $35.05. Had Buffett/Berkshire been negotiating that deal alone, the record suggests they would not have budged.

29. E.g., the Boston College Center for Corporate Citizenship's Corporate Reputation and Social Responsibility Rankings of the Most Respected U.S. Companies 2008 ranked Berkshire ninth out of 203 companies analyzed based on survey data of 20,000 people.

30. Elaine Cohen, "Warren Buffett on Sustainability: Not," *CSR-Reporting*, June 12, 2010, http://csr-reporting.blogspot.com/2010/06/warren-buffett-on-sustainability-not.html.

31. Randall L. Patton, *Shaw Industries: A History* (Athens: University of Georgia Press, 2002), 180.

32. See McLane company website: www.mclaneco.com/content/mclane/en/about-us/green-advantage.html.

33. See "Top Green Providers," *Food Logistics*, June 1, 2013.

34. See Acme Brick company website: www.brick.com/homebuyer/sustainability.htm.

35. E.g., U.S. Green Building Council, Leadership in Energy and Environmental Design (LEED) Rating Systems, www.usgbc.org/leed/rating-systems.

36. See "Lean and Green," *Ceramic Industry*, August 1, 2009.

37. David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Washington, D.C.: Brookings Institute, 2005), 77–78, 93–94.

38. Jim Weber, telephone interview by the author, October 11, 2013.

39. James L. Hambrick, telephone interview by the author, December 20, 2013.

40. Douglas A. Kass, a noted investor and Berkshire skeptic, raised the example in questions to Buffett at the 2013 Berkshire Hathaway annual meeting. See Andrew Ross Sorkin, "For Buffett, the Past Isn't Always Prologue," *New York Times*, May 6, 2013.

41. For an account of Teledyne and Singleton by the latter's second-in-command, see George A. Roberts (with Robert J. McVicker), *Distant Force: A Memoir of the Teledyne Corporation and the Man Who Created It* (Thousand Oaks, Calif.: Teledyne Corporation, 2007).

42. Ibid., 249–50.

43. Simon M. Lorne (Teledyne director), e-mail to author, January 3, 2014.

44. Warren E. Buffett, "An Owner's Manual," Berkshire Hathaway, first published in June 1996, updated March 1, 2014, ¶11, www.berkshirehathaway.com/ownman.pdf.

16. B.E.R.K.S.H.I.R.E.

1. See "Notice, Online Discussion Next Week: What Motivates Top Donors," *Chronicle of Philanthropy*, January 23, 2009.

2. See "Lokey Gives UO Largest Gift: $74.5M," *Portland Business Journal*, October 15, 2007.

3. Karen Linder, *The Women of Berkshire Hathaway: Lessons from Warren Buffett's Female CEOs and Directors* (Hoboken, N.J.: Wiley, 2012), 97–101.

4. Ibid., 112; Berkshire Hathaway, Inc., *2005 Annual Report*, chairman's letter.

5. Ibid.

6. Thomas S. Gayner (Markel Corporation), telephone interview by the author, February 13, 2014.

7. See, e.g., David Carey and John E. Morris, *King of Capital: The Remarkable Rise, Fall, and Rise Again of Steve Schwarman and Blackstone* (New York: Crown Business, 2010). For a critical view, see Eileen Appelbaum and Rosemary Batt, *Private Equity at Work* (New York: Russell Sage Foundation, 2014).

8. Andrew Kilpatrick, *Of Permanent Value: The Story of Warren Buffett* (Birmingham, Ala.: Andy Kilpatrick Publishing Empire, 2011), 423.

9. Jim Clayton and Bill Retherford, *First a Dream* (Knoxville, Tenn.: FSB, 2002), 76, 211–12, 228, 285.

10. See Alexandra Berzon, "The Gambler Who Blew $127 Million," *Wall Street Journal*, December 5, 2009.

11. Ronald Chan, *Behind the Berkshire Hathaway Curtain: Lessons from Warren Buffett's Top Business Leaders* (Hoboken, N.J.: Wiley, 2010), 35–36.

12. Ibid., 119.

13. Jeffrey W. Comment, *Santa's Gift: True Stories of Courage, Humor, Hope & Love* (Hoboken, N.J.: Wiley, 2002).

14. Caroline Hall Otis, *The Cone with the Curl on Top: The Dairy Queen Story, 1940–1980* (Minneapolis: International Dairy Queen, 1990), 129, 152.

15. Children's Miracle Network Hospitals, corporate partners page, http://childrensmiraclenetworkhospitals.org/Partners/Sponsors.

16. Ibid.; Martha Kahler and Jeff Hampton, *McLane Company, Inc.: The First One Hundred Years* (Temple, Tex.: McLane Company, 1994), 35, 49.

17. Irvin Farman, *Standard of the West: The Justin Story* (Fort Worth: Texas Christian University Press, 1996), 190, 216–21.

18. Ibid., 227.

19. Kahler and Hampton, *McLane*, 35.

20. See Richard Pérez-Peña, "Harold Alfond, Donor and Shoe Factory Owner, Dies at 93," *New York Times*, November 17, 2007.

21. Jewelers for Children, board listing, www.jewelersforchildren.org/our-board.htm.

22. Clayton and Retherford, *First a Dream*, 263–67.

Epilogue

1. Warren E. Buffett, "An Owner's Manual," Berkshire Hathaway, first published in June 1996, updated March 1, 2014, ¶11, www.berkshirehathaway.com/ownman.pdf.

Appendix

1. Information concerning McLane draws in part on Martha Kahler and Jeff Hampton, *McLane Company, Inc.: The First One Hundred Years* (Temple, Tex.: McLane Company, 1994), 58, 90.

2. Information concerning MiTek draws in part on Jim Healey, *MiTek: A Global Success Story, 1981–2011* (St. Louis, Mo.: MiTek, 2012), 145.