

BUFFETT PARTNERSHIP, LTD.

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

November 1st, 1968

To My Partners:

Enclosed are two copies of the Commitment Letter for 1969, one to be kept by you and one to be returned to us. You may amend the Commitment Letter right up to December 31, so get it back to us early and, if it needs to be changed, just let us know by letter or phone. Commitment Letters become absolutely final on December 31 - there can be no exceptions to this rule since I turn them over to Peat, Marwick, Mitchell & Co. at that time.

Also enclosed is a copy of our ever popular "Ground Rules" to assist you in your annual re-indoctrination.

At present, the tax picture stands about as indicated in my letter of August 27th. However, there is a fair chance that one or more significant (from a tax standpoint) transactions may transpire between now and the end of the year. We will have a letter out on December 24th confirming the status of your Commitment Letter, and any material change in your anticipated tax liability will be reported to you at that time.

At yearend, we intend to value our eighty per cent interest in Diversified Retailing Company at \$8,800,000. This compares to \$7,200,000 last year and an original cost of \$4,800,000. Our valuation method is consistent with that employed last year which, roughly, approximates cost plus our equity in retained earnings.

Our yearend valuation for our seventy per cent interest in Berkshire Hathaway, Inc. will be \$31 per share. As I have mentioned in previous letters, market price, which governs valuation of minority interest positions, is of virtually no importance in valuing a controlling interest. The dominant factors in such a controlling interest valuation (which is a business valuation - not a stock market one) are asset values and earning power. Berkshire Hathaway has made important progress during the year, warranting the increase from \$25 per share

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used last year in valuing our position to the \$31 figure this year. As an indication of the unimportance of market values, it may be noted that the \$25 figure last year was somewhat above market value at the time, whereas the \$31 price is somewhat below market quotations as I write this letter.

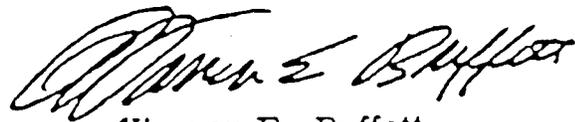
Every year about this time I get some questions as to whether our "no admittance" policy is still in effect. The answer is unequivocally "yes". This is applied across the board, and I have had to turn down spouses, children, grandchildren, etc. of present partners (I'll leave it to you to figure out what an "etc." of a present partner is). I don't enjoy saying no to friends who are long-time partners, but adding new members could have a negative effect on all present partners and I certainly have no desire to say yes to some and no to others.

We have also had some inquiries regarding the transfer of Partnership interests to trusts. This cannot be done, since the Partnership interests are not assignable and a trust would be a new partner. This decision reflects the nature of our Partnership contract, general Federal Income Tax regulations regarding partnerships, and our own particular tax letter which was issued by the Treasury Department to us in 1961, ruling that we are a partnership rather than an association taxable as a corporation.

Results this year continue to be better than I expected. Despite unusually large holdings of cash equivalent securities throughout much of the year and only a bare trickle of worthwhile ideas, we have managed to achieve reasonably good results measured by the old standards as well as the new ones. The Dow is currently plus about 8%, and our margin over the Dow is now somewhat wider than the 15% edge that we had at mid-year. Our backlog of potentially profitable ideas for 1969 is virtually nil.

Once again, I urge you to try for our "Partner of the Year" award (it's honorary - no monetary consideration) by getting your Commitment Letter back to us promptly.

Cordially,



Warren E. Buffett

WEB/glk