

KUNHARDT **FILM** FOUNDATION

DAVID "SANDY" GOTTESMAN INTERVIEW
BECOMING WARREN BUFFETT
KUNHARDT FILM FOUNDATION

DAVID "SANDY" GOTTESMAN

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Interviewed by: Peter Kunhardt

Total Running Time: 1 Hour 3 Minutes

TITLE

First hearing about Warren Buffett

10:12:01:21

SANDY GOTTESMAN:

Well I was one of the few people at the business school that went down to Wall Street in 1950 when we graduated and I started dealing with clients, etcetera and the more I dealt with various people, I started to hear about Warren. And Bill Ruane who was in the class before me was a very good friend and Rick Kiniff, his partner, was in my class and a good friend of mine. So we had lunch one day and it was probably early in the 60's, early and he said to me, "you know, you buy the same stocks as if—a friend of mine, Warren Buffett who I met at Columbia. You gotta meet him." So Bill arranged a lunch with Warren so that was my first exposure. And then, coincidentally, I would guess within the month, or maybe a couple weeks late—maybe a couple weeks after that, a client of mine up in Westport who was I think dealing with Warren on the sale of Warren's company at the time. It—or it was not his company, it was Dempster actually, I think, said to me, "This guy is coming up and he's the brightest guy we've met and lets play golf—lets all play golf together." So I went up and I played golf in Westport with Warren. So from then on it was a complete romance.

TITLE

Golfing with Warren

10:13:38:11

SANDY GOTTESMAN:

You know, he's a very competitive guy and Warren and I used to play golf in a twosome or a foursome and we would always, if we hit the ball straight out, I would guess that we were within four feet of each other when the ball landed but he was a heck of a competitor and I would say, you know Warren didn't overdo golf and so I'm sure he could have gotten it well into the 70's, but he—he was probably around a 90 or so, that's where I was.

TITLE

Susie was his social chair

10:14:35:12

SANDY GOTTESMAN:

I mean one of the reasons that we were—we became very close friends at the time was that Susie met my wife and she loved my wife and my wife love—she was a very lovable person and there's no doubt about the fact that—I mean Warren told me the same story only he told me 50 years ago, maybe more than 50 years ago. He was very indebted to Susie and he loved her deeply.

TITLE

The Buffett personality and charm

10:15:30:16

SANDY GOTTESMAN:

Everybody's got a certain amount of personality and charm in that family. I mean Howie is terrific and Susie's great and I'm not so sure it wasn't in the genes to begin with. I didn't know his father but he had enormous love and respect for his father and his father must have been a very charismatic guy because he was in Washington as a representative for a number of terms.

TITLE

Warren's relationship with his mother

10:16:16:00

SANDY GOTTESMAN:

I missed it at first but it came through very strongly and I think he was very afraid of his mother. She lived up the street. I think I only met her once and I used to go out to Omaha and I wondered, you know—I—I—when I first went out there, I stayed at Warren's house 'cause he was very hospitable and he didn't know many guys down on Wall Street but he never talked to her about her and I learned not to ask any questions.

TITLE

Sunday night calls with Warren

10:17:15:09

SANDY GOTTESMAN:

I would think it started around—well it started right after I met Warren actually, but it wasn't every Sunday night then, it was just occasional. But I was very much into stocks in those days and I was doing a lot of research and I was doing research on very undervalued stocks. In those days, you know Warren was doing the same thing, only more so and there were many decent opportunities at three, four, five, six times earnings and half book value and you know, every Sunday night after I worked like hell during the week, I would call Warren with all my best ideas. Warren would sit upstairs in his—I think on the landing where he had his chair and—or a little office there and I would bring up the name of a company and most of the time, he knew much more than I did about the company. He'd know how many shares were outstanding, he'd know the capitalization, he'd know the earnings, it was absolutely incredible. But every idea I had I batted up to Warren. It was like getting the good housekeeping seal of approval, particularly if he was going to buy some.

10:18:45:00

I don't know about Warren, but when we were finished at maybe eleven or twelve, I was so stirred up. Which I think is something Warren is capable of doing; I was so stirred up and so excited I didn't go to sleep for a couple of hours.

TITLE

Warren the “salesman”

10:19:51:10

SANDY GOTTESMAN:

I thought Warren was a terrific salesman. I mean when Warren said something; it meant a heck of a lot. And I think all of us paid a lot of attention to Warren when he took a definite stand on something and you know, right from the start, Warren knew where he was going. I mean he wanted to have an outstanding reputation. He wanted to have an out—an out—a reputation that he never really upset the apple cart when he bought a business, that he kept the management in place. He never sold one of the things he acquired even though it was a mistake and so he was establishing a reputation that paid off later in life. Look at the reputation he has today, but h—it’s been building and building ever since I’ve known him.

TITLE

Warren’s early experiences in business

10:21:25:01

SANDY GOTTESMAN:

In the late 60’s, Warren was not so interested in stocks anymore. He felt the market was very high and he was buying less and less and the partnership had grown considerably. So I don’t know whether he mentioned this or not but I called him up and suggested he buy something that belonged to my wife’s family, or part of it belonged to my wife’s family and it was a department store in Baltimore. And Warren and Charlie flew in because this was a fairly big deal at the time and it was the number one department store in Baltimore. And just like Warren does, I mean within 24 hours he made up his mind that he would—the price was right and he would buy it, he liked the people very much. When he owned the business for about a year, it was a business that really didn’t interest him. It was a retail business, it was very competitive. There were three other competitors all on the same opposite corners in the main thoroughfare of downtown Baltimore and Warren, while the department store was profitable, very profitable, it kept expanding and it kept putting money back into branches and elevators and furniture stores and outlying—outlying,

you know, furniture stores. So he said to me, "I like businesses that throw off cash. I don't like businesses that eat a lot of cash." And this business particularly, and I think that's true of a lot of retail businesses—and that's why there's very few department stores around today. They do require a lot of capital expenditures. And Warren said, "Why don't you think about selling it?" So I did, and Warren had very good relationships with the management and I think they were all in favor of it and—I mean they really wanted to please Warren and I think—I think one of the things about Warren is when he buys a business, people love him and they—and they try their best to do their very best while he owns the operation.

10:24:09:11

So to come back to your point about Dempster, he was not buying the greatest businesses in the world. He was buying difficult businesses that were selling at big discounts. I mean Dempster made, I think, windmills. So how big a market was there for windmills in those days and I would think the electric motor and other things have changed the business considerably. I mean, but he bought Dempster very, very cheaply and made a fair amount of money out of it but it's not characteristic of what he does today and he learned over the years also.

TITLE

Warren's interest in insurance

10:25:14:01

SANDY GOTTESMAN:

When he bought Berkshire, he—he had become very interested in the insurance business and because of his interest in Geico, he learned a lot about the insurance business and he was a very fast learner and he understood these businesses very well. So again he knew exactly where he was going over the years but it started out very slowly in Berkshire. Meanwhile, he was interested in making as much money for Berkshire as possible. So occasionally I would come up with some idea for him and we would go into it and whenever he worked—he joined me in anything or I joined him, it was a great success.

TITLE

Warren's interest in insurance

10:26:34:19

SANDY GOTTESMAN:

It's true that—you know he had very good friends like Walter Schloss and that's what they were doing but I think Warren was well above the cigar butt philosophy in the late 60's and wasn't buying cigar butts 'cause they weren't big enough and he didn't want to waste his time on them and there were other very reasonably priced securities you could buy and do extremely well. And everything I ever suggested to Warren that interested him, he always made a big contribution that made it more valuable than I even thought about, and faster.

TITLE

After Susie's death

10:27:55:05

SANDY GOTTESMAN:

When—when Warren lost his wife, he tried to have a composure that was reasonably, you know, composed but you could see inside he was suffering greatly and he let it go once in a while. 'Cause we—I flew out there with a couple friends of Warrens and we paid a visit and my wife was along and you could just see the pain that he was going through. I think he became much more—you know, I could see it towards his kids and towards his family and everything else. He did change over the years, no doubt about it but I don't—I don't remember a lot of tough things. He was a softie in many respects. He might've been a little tough with the kids once in a while but that's 'cause he—he—in the early years, he wasn't really into running the kids. It was Susie that ran the kids so he was much more aloof than he was later on but look at the family today.

TITLE

Closing the partnership

10:29:54:04

SANDY GOTTESMAN:

Bill Ruane had started his firm and Warren had asked him, 'cause Warren thinks ahead of time all the time. Warren asked him to start a small fund for small investors that would invest the way Bill invested at the time so Bill started Sequoia Fund, which of course has become very, very successful and all the accounts that were small, lets say under a hundred thousand or so, he would suggest that they go into Sequoia. There were other clients that were larger and I guess some of those went to Bill and some went to me. And I still have fortunately, the heirs of some—of one or two of those now. And they've been very good clients.

TITLE

The climate of Wall Street in the 1960's

10:31:15:17

SANDY GOTTESMAN:

There were very few hedge funds back then. There was A.W. Jones, there was Steinhart and a couple of others and they were—well there was an interview actually in the paper about this that got one of them in trouble about fancy information and there was a lot of fancy information being passed around between the brokers and the—some of the funds and some of the investors. And Warren I don't think wanted any part of that. He was not somebody who wanted to get inside information because he was all by himself and if he had his value line in front of him, he could appraise a company in a very few minutes and very successfully.

TITLE

Joint ventures with Warren

10:32:17:21

SANDY GOTTESMAN:

Well we had an analyst at the firm who had done a fair amount of work on a company called Home Insurance and it was selling at 17 or half—18 which is almost half book value and so I sent the report out to Warren that we had and Warren read it and said lets start buying it. So I mean, Warren had much more buying power centralized than we did so Warren really bought a substantial piece of it and I bought some

of it for clients and we were paying an average of 18, 19 dollars a share for quite a while, and after Warren got to 10% in Berkshire and he had to disclose his holdings, he decided maybe it was a good opportunity to sell it. So he suggested to me that I try out somebody in Chicago that he had done business with earlier about a position that I wasn't involved in called Lone Star Steel. So I went out there, I spoke to the—spoke to them, gave a report on Home Insurance and lo and behold, they loved the idea even though they were—this was an old railroad holding company.

10:33:53:01

And they made an offer for the stock we had and we had some other insurance companies that joined us and they made the offer at 30 bucks a share but Warren thought the stock was worth substantially more than 30 dollars. So when we sold the stock, we made an agreement that if they resold it at a higher price, that we would participate in a good part of the profits and sure enough, when they tried to move in on home insurance because they had this big box of stock, a million shares, the management didn't want any part of them and so that's one of the things that was going on these days. There were—there was a company called City Investing. It was a high flyer of the first order back then and they offered up almost 100 dollars a share for home insurance because it had a lot of assets and they were asset light. So they took over and of course you know, from a value standpoint, you couldn't compete with people like that. Within a year or two got into big trouble and had to liquidate. But I think that was truly the times, I mean there was a lot of high flyers out there that were taking off—it's like the conglomerates today. Bidding wars, everything else was going on back then and I don't think Warren liked that at all.

10:35:38:10

We had another opportunity. We had a couple but I must say, in anything that I suggested to Warren turned out to be much better than what I ever thought and this was a company called Studebaker which was going out of the car business and they had a huge tax loss so I called up Warren, I told him that we'd done work on Studebaker. They had started to diversify. They owned a company called Onam, which was—which is still a well-known manufacturer of generators. They owned another company called STP, which was really the most

important company they owned which was the additive to your car to supposedly be good for your engine. So STP was an unknown quantity, you couldn't get any information in those days about it and companies didn't supply that kind of information but we knew there was a big tax loss in Studebaker and there was a lot of assets and it was—looked like a very, very cheap stock. So we started to buy it and Warren dispatched either a friend of his or one of the people in the office and I don't—I forget who it was; it could've been Bill Scott but I'm not sure.

10:37:16:13

And they went out to the railroad track outside the factory at—which was near Chicago and they counted the number of railroad cars going into the factory and the number of railroad cars that were coming out of the factory and that gave Warren and ourselves some idea of the size of STP and we—we bought quite a bit of stock and in those days I was working pretty hard and I would leave the office and—around seven, eight o'clock at night. I'd go to Grand Central Station to catch the train. So there was no such thing as quote machines but I would buy the Herald Tribune, which had an eve—a morning addition that came out at 9:00 o'clock at night. It had all the prices in it. So I picked—I started to read through the paper and there was a full-page ad by a man named—I think his name is Murphy in Honolulu who was in the—in the car business, he was offering 35 dollars a share for the stock that we had been buying for 18 and 20. I like that price range. So I called up Warren, ten o'clock, eleven o'clock at night when I got home. I said, "Warren, this guy who's a car dealer is—has this full page ad in it, is making this offer on Studebaker." So Warren said to me, without blinking at all, without hesitating, he said, "ok," he says, "tomorrow morning, go into the crowd on—on—this is on the stock exchange and buy everything that—at the opening, just clean it all off. So that's what we did. That was the end of that bid because the stock went up above that.

10:39:36:00

So then, the question was, what would we do? A couple days later, I got a call from somebody I knew out in California and he was—he was trying to put a deal together. So he offered us 44 bucks for the stock. We had cleaned up around 35. And they were wild and wooly days back then so I said, "ok, we'll do it. We'll sell it to you." I thought it was a very rich price. So he—he didn't have the money and he didn't have

the client and maybe in the next couple hours, he called up Warren and said, "I have this terrific company for sale" and of course Warren said, "I'm the seller." So anyhow, he had—we had put the trade up on the New York Stock Exchange and he was obligated so it went through finally.

TITLE

Susie's influence on Warren

10:13:28:11

SANDY GOTTESMAN:

The—the black bank though, was probably part of Susie's influence. He had a good friend by the name Nick Newman and Nick and he, Nick was in a—he had a grocery chain. It was in Omaha and some of the other cities, I forget where but very nice guy and a good friend of Warren's and together, they took an active part in helping the black community and I'm sure that that was Susie's influence.

TITLE

Warren breaking barriers

10:14:19:13

SANDY GOTTESMAN:

Omaha was a pretty segregated area back then and Warren belonged to the Omaha country club and his friends were Jewish, belonged to Happy Hollow so Warren wanted to break down the barriers at—at the Omaha country club and also there was I think another club, an eating club downtown for lunches that was also very exclusive. So Warren felt the only way he could do it was to apply to the Jewish country club for membership and the country club directors had a great deal of trouble with that. On the one hand, they wanted to have Warren as a member, on the other hand, there was a limit to how many members they could have and they had a waiting list that was all Jewish potential members and he was taking one of those spots so there was a real thought process that went into that and I think that they finally saw what Warren was trying to do and they pushed it through and he joined that club. Now I don't know the other side. I

don't know at what point, whether they did open up or not but I do know about Happy Hollow.

TITLE

Warren has no prejudice

10:16:08:21

SANDY GOTTESMAN:

I think Warren is free of all prejudice, completely free of it. And if he learned that from his father, I wasn't aware of it but I—but he has no prejudice whatsoever. White, yellow, black, it doesn't make any difference to him.

TITLE

Getting involved with Salomon Brothers

10:17:22:18

SANDY GOTTESMAN:

I'm not sure that I'm 100% right on this but in those days, Salomon was a very, very cheap stock. It was selling for much less than its value. And they had done some things in mergers, etc. that affected the value so I actually discussed Salomon brothers with him as a potential candidate 'cause it was right there in value line and I'd done some work on it and Salomon was a pretty good franchise at the time. I mean they were a top trader. Every large block of stock went through Salomon Brothers and they were a very, very aggressive, successful firm. Warren made up his mind to go ahead and buy this—buy this—there was a block of stock that was available and he bought that block of stock and it was a cheap price but he didn't know at the time anything about what he was getting into as far as you know, getting into trouble with the government about government bonds and that came up shortly thereafter he got involved. I don't know that it—I mean I think Warren was sorry that he got involved but Warren and Charlie were on the board and Charlie couldn't stand what was going on there and didn't like the culture at all. I think that, you know when the thing exploded, Warren had 24 hours or less to make up his mind as whether he was gonna go forward or just bow out and I think at point, Salomon Brothers could have gone into bankruptcy. And Warren stepped up and took responsibility, which is not so

characteristic of him. He likes other people to step up and take the responsibility and work things out but certainly in Salomon Brothers, he deserves every bit of praise and as you know, every year at the—were you at the annual meeting this year? In that movie, almost every year they show his testimony in front of the committee. So I thought it—I think in the final analysis it—it furnished his reputation but at the time, he was very upset about it.

TITLE

Warren's reputation during the Salomon Brothers Scandal

10:20:49:08

SANDY GOTTESMAN:

Everybody on Wall Street, by that time, knew about Warren. Whether investors knew about Warren, I never thought about that and I can't answer that question. Certainly his reputation by that time had really spread. It was no—no secret. And I'm not so sure he—he certainly didn't have that in mind when he went into Salomon Brothers. I mean, he had an investment and he had a responsibility and he faced up to it but I don't think he was looking at it that this would improve his reputation on a national basis, I just don't think so.

TITLE

Charlie Munger's relationship with Warren

10:21:49:07

SANDY GOTTESMAN:

Charlie met Warren through a Doctor friend. Charlie comes from Omaha so he met Warren through a friend of his who was a doctor. I think he was a doctor, and an investor in Warren's partnership and Charlie was starting a small partnership after his career in law out in LA because Charlie saw there was more money in running a partnership than running a law firm so he started this firm called Munger, Wheeler & Company and Charlie was a very, very bright man and a very good Lawyer at the time and he met Warren a year before—a couple years before I met him maybe at around—probably around 1960 or 1959 through this doctor friend and you know, same thing. I mean he met Warren and had the same reaction that I did or

anyone else does who meets Warren, just wow and I think Warren thought about Charlie in the same way.

10:22:55:04

But I would say Charlie has been a very, very strong anchor for Warren. When we—we made one investment together in that store in Baltimore, because Warren invited us each to buy 10% and from then on, we—we—we were involved in a company called Diversified Retailing until a number of years later. And every time Warren wanted to do something and he would pass it by Charlie and pass it by me, I was 100% in favor of it, Charlie always had a couple of strong reservations so I think Charlie has been sort of an anchor man and he's been very useful to Warren in pointing out some of the problems.

TITLE

Nick Brady and Salomon Brothers

10:25:42:04

SANDY GOTTESMAN:

There was an element of fraud involved in this man—this man at Salomon brothers who had broken the law of the Federal Reserve I think on how many bonds you can buy in a government auction and he had gone way above that and he had—he took the inventory and when the bond went up a little bit, he would sell it out and make a—a substantial profit for Salomon Brothers and they used their capital that way many times so when—well you know the story, I mean he went to Goodfriend and said, you know, I've got a problem because I guess he'd gotten a questionnaire from the government and Goodfriend didn't react the way he should have at the time. He didn't say, lets—lets get down there and confess, and say mea culpa and make a deal so they—he sort of kept it to himself and I think when Brady moved in, if it was Brady or the fed moved in or the treasury department, they were very much at risk of losing their ability to trade governments, it was going to be taken away from them and I think Warren had to step in, in a very short period of time. I mean it could've been 24 or 48 hours and he made the decision that he would step in it. certainly redounded to his benefit because he came out very well but it was a heartbreaking thing for a while.

TITLE

Warren's interest in insurance

10:28:33:02

SANDY GOTTESMAN:

Warren, as an analyst went down to Washington one weekend and, I mean lo and behold he knocks on the door of this company and nobodies there in the office and finally some watchman answers the door and says, "what do you want?" And Warren says, you know, "I'm a research analyst and I'd love to interview the—speak to the president." So he—by chance he was in his office upstairs and Warren went up to meet him and he was enthralled by this man and the man spent the better part of the day talking to Warren about GEICO and what a good business the insurance business was and of course, under Warren's [unclear] years later, GEICO became a much, much more important business and really went all out in the mail order business and made it very, very efficient but what Warren likes about any of those businesses is that he has a fair amount of money that's sitting there as—supposedly as float and he can use the float to invest in other things so GEICO was making, after it had a very low expense ratio, because they were very, very efficient at GEICO at the time and they became even more efficient, the expense ratio was low compared to all the other insurance companies so they were earning money when it was difficult for other companies to earn money and in addition they had this big reservoir of money that was float.

10:30:22:09

Now the float in the automobile insurance business is not as good as the float at other companies that he has but it's substantial and it adds up into what is a large float of free money that Warren can take to buy businesses and invest so it's a to-for.

TITLE

See's Candy

10:31:06:20

SANDY GOTTESMAN:

As far as I know, Charlie had a man working for him who had been, I think, a petroleum engineer and Charlie and Warren were approached

on See's and they were going to make an offer that was below what See's wanted and this man piped up and said, you know, "You're doing the wrong thing, this is a high quality business, it's going to have substantial growth, there's plenty of leeway to raise the price on chocolates and you really should raise your bid because you're buy—you're not buying an asset, you're buying a name, you're buying a brand, you're buying a real franchise here so they did raise their bid and they bought it and of course looking back, it was the start of buying good businesses at relatively favorable prices and Charlie was more responsible for that than anybody.

10:31:06:20

Warren has this—I shouldn't say theory, it's a—it's not a proverb either but he has a strong feeling which he communicates to all of us that if you buy a good business and you stay with it for a long time, you're gonna make a fair amount of money so that's really what Berkshire is and what some of the companies that Warren's bought, I mean he's made a lot of money buying Coca Cola even though it's now subject to criticism. He's made a lot of money in American Express doing that, he's made a lot of money in a lot of companies and I think that all of us learned a lot out of that See's.

TITLE

Warren and *The Washington Post*

10:33:47:08

SANDY GOTTESMAN:

It was probably 1972, 73—for some reason, *The New York Times* went public with a restricted stock, an A and a B. A whole group of previously privately owned companies also became public and the stocks all fell down. Market was going down and these stocks went down and *Washington Post* went down substantially from its initial offering price so Warren started to buy some stock and I must say, you know Warren is very good about sharing his thoughts with people and directing them in various ways and he had—he had talked to a whole gr—we—we—I mean Carol I'm sure told you about the group meetings that we had and he had talked about you know, the value of broadcasters, the value of newspapers, etcetera, he saw real value and in these newspapers and also not only the franchise value but the

thrill of being involved in a newspaper like *Washington Post*. And Kay Graham had some advisors in those days that were on the board that checked Warren out and here was this young guy who was buying a big piece of *Washington Post* and they were very, very suspicious about it. I ha—my wife and I happened to be out in California.

10:35:58:11

We visited Warren during the summers then, he had a place in Laguna, and we would go out and, we'd play golf, we'd go out at night with Susie, and occasionally with Charlie, etcetera and Warren had invited Kay Graham out directly. She was strong enough to say to herself, I'm not gonna listen to al my advisors, I want to find out for myself so she came out to California and she met him and I re—I was there at the time and—this is a story you won't get from many people but anyhow, Warren started talking to her and when Warren starts to talk, he's very convincing and he can talk for a long time so she—she looked out the window and here is this beautiful beach, and the—it was a beautiful U-shaped cove and she said, I think I'll go for a swim so she changed into her bathing suit, came downstairs, Warren started the conversation again. We walked down to the beach, I was there, Warren is fully dressed, he started walking into the water, and Warren doesn't swim and he doesn't go in the water and all of a sudden when he got up to his waist, he realized he was in the water, and he turned around and—and went out. But he was thrilled by her visit and I think she was very taken with Warren from then on so she didn't listen to her advisors at all.

TITLE

His 60th birthday party

10:11:06:20

SANDY GOTTESMAN:

My brother threw a small birthday party for me at the hotel uptown and we were probably 35 or 40 people there, good friends, and Warren and Susie came, Susie sang and then there were a lot of toasts afterwards. Warren's toast was, "may you live 'till Berkshire splits" and that was 30 years ago. And so far, so good, I'm here and Warren hasn't split the stock. So that's made a big difference in my life because I think about that often.

TITLE

Susie's singing

10:12:22:18

SANDY GOTTESMAN:

Well I mean if Bill Ruane was here, he'd really tell you about it but you know, Susie was interested in singing in front of various groups and she was goin—she would—she was willing to go to various night—semi-night clubs in New York and sing there. Maybe it was for the experience or maybe she wanted to do it because she enjoyed it but anyhow, they would come to New York and Bill would arrange for her to sing at various small little clubs and we would go and listen to her but she loved it and Bill really killed himself setting up those dates for her and I think Warren was very proud. She had a grea—she had a very wonderful voice, yeah and she had a good sen—she sang the oldies really, show tunes and that kind of stuff.

TITLE

Warren's loyalty to his friends

10:14:23:06

SANDY GOTTESMAN:

Warren, like nobody else I know has had an enormous loyalty to all of us. There's nobody that he's ever turned his back on that I know of. The group that we had, maybe Warren outgrew many of the people in it but he never abandoned anybody and he was always inclusive and he was very, very loyal. We had a group of eight of us that would go out to the west coast and play golf at pebble and three other golf clubs over a four-day period. And Warren was getting busier and busier but yet every year—every two years, he would show up and he would play golf for four days even though it wasn't his greatest interest in the world. And as far as the meetings that he had, well he was meeting all the famous people in the world and everybody was coming to his doorstep but he remained very, very loyal to all of his friends and of course that group that Carol described to you was composed for the most part of people that he knew starting back in the 60's so I—I don't know anybody like that. He could go down to the president's home

anytime he wanted to and in fact, there's some great stories. He was invited out to Rea—he was invited out with Reagan to Walter Annenberg home in Palm Springs.

10:16:08:11

Walter Annenberg had this house that was a fairly well known house evidently. It's now an institution but he would invite various people down for weekends and you know Warren was getting to be very big in the newspaper business and he was a great investor and so Walter wanted to cultivate Warren so he invited him out when he had Reagan who was then President, for the weekend. And Warren went out there and there were other people out there too and everybody had their own room and they had attendants that were helping them unpack and pack. It was all very, very impressive and luxurious. So Walter had a 9-hole golf course that he played as 18 holes and every single ball on the range that they used was never hit twice. Just one trip on a ball. So Annenberg said to his friends who were there, golfers, saying, "I've reserved starting times for you across the street..." at one of the courses, I forget the name of it, it could've been Thunderbird or one of those. He says, "It's too crowded over here" so Walter and Reagan and Warren went out to play golf on this golf course, they were the only ones but it was kind of cute that they—he sent everybody across the street, said it's too crowded so Warren had some good stories about his various things and I mean Warren could go any place he wanted to at that time but he was extremely loyal to his friends.

TITLE

Advice for the long-term of Berkshire

10:11:52:06

SANDY GOTTESMAN:

We never bought Berkshire directly, we got our stock through diversified, the same way that Charlie got most of his stock. And I don't know of a better investment for my children and my grandchildren and maybe a couple people that come after that than Berkshire as long as the culture remains the same. And that's the most important thing and I know that the people who are coming along and that we're thinking about as potential replacements for Warren today have a very strong sense of culture and have a very strong sense of obligation to

Warren and everything Warren stands for so I have no doubt for 25 years afterwards, the culture isn't going to change and meanwhile, you own a group of companies that are extraordinary and maybe—maybe new management will do a few things that Warren might not have done, but otherwise they're gonna be very strong value oriented people and very decent, decent, honest individuals. You know, when anytime when Warren says something, you can take it to the bank and I think people understand that and—but I think Berkshire really stands for—culture, is complete decency and honesty, yes.

TITLE

Warren's influences on philanthropy

10:13:49:06

SANDY GOTTESMAN:

There was a time before Warren made his big gifts to the Gates foundation that he was getting criticized and you can see it in the blogs that were written back then and some of the letters and other things that—here was this very, very rich man who was getting richer every year and really wasn't giving a lot of money away and there was terrific criticism by some people which Warren never said anything about and didn't answer but all along, people were getting very rich on owning Berkshire, particularly those people who started out with a few dollars in his partnership. And I mean, there were—there's still instances where you've got this man who died a couple years ago in Brooklyn who came from a—he was a professor at Brooklyn who came from—he was a professor at Brooklyn Polytechnic and he left a fortune of 700, 800 million dollars, nobody had ever heard of him before but he had been a partner of the original partnership, put a few dollars in and had given most of it away. He didn't have any children. There was actually a Rabbi in—in—in Omaha, it was a great story.

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His name was Kripke and his wife met Susie because his wife was drawing children's books and Susie met her because she was interested in the books. And so she called up and she met her and then she thought she was charming and so they started playing bridge at night with—once a month or once every couple weeks with the Rabbi and his wife and they had a very strong friendship and the—the wife

said to—Warren was young and running the partnership. Warren said to the Rabbi, I mean his wife said to the Rabbi, you really should put some money into the—Warren’s partnership because you know, his brilliance always shown through and the Rabbi was very reluctant because this was his retirement fund. But finally he did put some money in, very small amount and when he retired, he had a few—I think he had a son, I don’t know who else he had, I think he’s still alive in that—he’s in an old age home in Omaha but he had given—nobody thought he had—I don’t think he ever made more than 15, 16 thousand dollars a year as a salary but he gave something like 30 or 40 million dollars to the seminary in New York for a brand new entrance hall and research facility I think and nobody ever heard of him before and these people are all popping up all over.

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And I heard a story about somebody the other night who made a large gift, somebody who really was quite poor in—in—they had come over, they were a holocaust victim. They had put a few bucks into Warren’s partnership and they gave hundreds of millions of dollars to some university and you hear about it all the time where—I know in my case, I mean I thank Warren all the time because I—well I don’t give away to Berkshire, that’s sort of sacrosanct but it’s made it possible for me to make a fair amount of major gifts that have brought joy to the whole family. So I think that Warren’s influence on giving things away and charity has been a real leadership position and people just don’t appreciate it that much. And you know the—I think what he’s done with his children is terrific.

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I mean you we—you spoke to Howie and you spoke to some of the others, they’ve all thrived because they’re running these foundations and are able to give away money. And I mean Warren’s influence is strong and he spends his time the way he really—you know he’s only got so much time and he spends his time very carefully but he feels that he is delegated Gates as the best person possible to run a lot of his charitable activities and I think he’s correct. But the amount of money he’s made for other people because of Berkshire is extraordinary and all that money is being given away over the years. And all those remarks about him years ago are just absolutely incorrect.

TITLE

The financial crisis of 2008

10:19:26:15

SANDY GOTTESMAN:

I did not realize the severity of it at—when it started but I was in Omaha for a meeting and Warren was getting calls left and right from various companies that had a lot of leverage and needed funds and in those days, he would—had the opportunity to buy extremely high yielding preferred stocks that were convertible or had warrants in some very good companies like Goldman Sachs and a host of other companies that made a lot of money for Berkshire in the long run but I think that the severity of that decline at the time and the crisis and the—what’s happened with housing ever since and the affect on employment was not—I—I didn’t see it coming as strongly as it came and it turned out to be one of the most serious events we had outside of the depression in ‘29 and I think Warren and Charlie both handled themselves extremely well.

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Warren always has his wonderful view that you get greedy when other people are fearful and you get fearful when other people are greedy and he certainly used that opportunity to build the – build Berkshire and of course Berkshire is a fortress. It’s impregnable as far as the financial condition, but I think the country was in serious trouble and I mean I’m not an expert economist but this wh—the fact that interests rates have been coming down and down, in fact they’re almost nothing now is still a reflection of the unemployment and the housing and all the things that are the aftermath of what happened back then. Incidentally, Warren has a great expression about macro—people who have a real macro feeling and I’ve never forgotten it. He says, “there’s a place in the cemetery that’s reserved for all those people who think they can see what’s gonna happen in the market.” So I didn’t see it.

TITLE

Warren’s optimism

10:22:49:16

SANDY GOTTESMAN:

Well I think his message has always been very optimistic about the United States and the place the United States in the world and the place you really should have your money because the United States is growing and things are so good here in spite of all the problems and everything else and I think he—he fundamentally believes it like nobody else that I know. He's a strong believer and a strong salesman on that.

TITLE

Friendship with Warren

10:25:09:07

SANDY GOTTESMAN:

Look, in so many ways, Warren has been an enormous influence on me and our family and for example, even though the family, some of the family doesn't care about business at all, they all have made the trip to Omaha, they all know Warren, they all think the world of Omaha—of—of Warren. They have tremendous respect for him and his values. I use some of Warren's material; I send it to the kids so that they can read what he has to say about—about life and I think he's had an enormous influence on my life and my wife's life, he's made it much more enjoyable. We love some of the friends we've made because Warren has—one thing that Warren does is he brings everybody together and he shares everybody. He doesn't keep anyone to himself. So all of Warren's friends, you know, I got to meet early in the game. Murphy and Burke and all these other people we know fairly well, the Loomis's, etc. all came out of being involved with Warren so it's been a wonderful experience. It hasn't hurt me from a business standpoint either. It's—it's very nice. There's—I—I mean I'm very careful about the way I handle myself and not to impose on any of Warren's reputation but still and all, it—it rubs off.

TITLE

Joining the board

10:28:01:16

SANDY GOTTESMAN:

Warren doesn't forget anything he ever says and you know, Warren's gone way beyond anything I can handle but when we sold Diversified, I was Vice Chairman and Charlie was a Vice Chairman, primarily because of our ownership. And Warren said to me, "look, come to Berkshire, you can become a Vice Chairman just like Charlie and we're happy to have you." But he said, "There is a conflict, if you—if you stay in the money management business and you're gonna be buying these stocks, you're gonna have to report everything you buy and I'm gonna have to report everything I buy and they're gonna combine them and it's going to be a problem." So I said, "that's fine Warren, I don't need that." So he said, "if you ever get in a position when you're out of First Manhattan, my offer stands." So, after Susie passed away, which is well over 10 years ago I guess, I think the world changed as far as Warren was concerned and again, loyalty has been very important and integrity again and so Warren ca—there was an opening on the board and Warren came to me and said, "would you like to be on the board now." So I said, you know I'm gonna jump at this opportunity but let me think about it overnight. So Warren said to me, "You know, you've been a very private person and the minute you go on the board, you're gonna have to start reporting." So by that time I had given away some of my Berkshire to family and I thought about it and I felt that the advantages of being on the board versus not being on the board were substantial and I said, "great." So that's another example of his great loyalty.

TITLE

What will Warren's legacy be?

10:28:01:16

SANDY GOTTESMAN:

Oh, look, there must 30 books out about Warren right now and Warren's influence on the investment world has been unbelievable. Certainly he deserves much more credit, I think than Ben Graham although Ben Graham has been idolized because some extent because Warren has pushed that but I think Warren's influence is far greater today and I think for a long, long time, that influence in the financial area is gonna be felt. I'm not so sure that you know, any gifts he makes or any gifts that the kids make are gonna—he's not a—he's not a guy

who wants to put his name on a lot of things and he's not somebody who wants to create institutions in his image so there isn't going to be anything like that. Or at least it doesn't look like it right now so I think he's been a—you know, there's a whole generation of people who have grown up and they've gotten to know Warren, either going to the meetings, watching him on CNBC or just going to the sessions he—he invites these ten or twelve colleges out there every year and he talks to them.

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And he—he's really in the teaching business. He may be in the investing business but he's also in the teaching business. And he shares his—shares his advice with all these big executives that go into these companies. When Immelt became head of GE, I would say the first thing Immelt did was fly to Omaha and talk to Warren. And I think that goes on all the time and Warren gives him great advice so—from the standpoint from naming a university or a big charity after him, I don't know that anything like that is going to happen. Of course it's up to the children to some extent but—or maybe Bill Gates who loves him, absolutely loves him, so. But I'm sure some kind of an important thing may be done.

END OF TRANSCRIPT