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WARREN E BUFFETT, CHAIRMAN

Memo

From: Warren Buffett
Subject: Comparative Rights and Relative prices of Berkshire Class A and Class B Stock
Date: February 2, 1999 Updated July 3, 2003 and on January 20, 2010

Comparison of Berkshire Hathaway Inc. Class A and Class B Common Stock

Berkshire Hathaway Inc. has two classes of common stock designated Class A and Class B. A share of Class B common stock has the rights of 1/1,500th of a share of Class A common stock except that a Class B share has 1/10,000th of the voting rights of a Class A share (rather than 1/1,500th of the vote). Each share of a Class A common stock is convertible at any time, at the holder's option, into 1,500 shares of Class B common stock. This conversion privilege does not extend in the opposite direction. That is, holders of Class B shares are not able to convert them into Class A shares. Both Class A & B shareholders are entitled to attend the Berkshire Hathaway Annual Meeting which is held the first Saturday in May.

The Relative Prices of Berkshire Class A and Class B Stock

The Class B can *never* sell for anything more than a tiny fraction above 1/1,500th of the price of A. When it rises above 1/1,500th, arbitrage takes place in which someone — perhaps the NYSE specialist — buys the A and converts it into B. This pushes the prices back into a 1:1,500 ratio.

On the other hand, the B can sell for less than 1/1,500th the price of the A since conversion doesn't go in the reverse direction. All of this was spelled out in the prospectus that accompanied the issuance of the Class B.

When there is more demand for the B (relative to supply) than for the A, the B will sell at roughly 1/1,500th of the price of A. When there's a lesser demand, it will fall to a discount.

In my opinion, *most* of the time, the demand for the B will be such that it will trade at about 1/1,500th of the price of the A. However, from time to time, a different supply-demand situation will prevail and the B will sell at some discount. In my opinion, again, when the B is at a discount of more than say, 1%, it offers a better buy than the A. When the two are at parity, however, anyone wishing to buy 1,500 or more B should consider buying A instead.