

BERKSHIRE HATHAWAY INC.

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WARREN E. BUFFETT, CHAIRMAN

April 19, 2003

Mr. Edward O. Thorp  
21 Ridgeline Drive  
Newport Beach, CA 92660

Dear Ed:

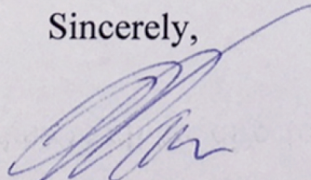
It's good to hear from you. It's certainly been a long time, but I still remember the first article I read about your activities (I believe — but my memory is hazy — you were teaching in New Mexico at the time).

I'm attaching a letter we're sending to all the director applicants. I'm surprised at how many we've heard from — and how good the quality is.

I'm delighted that Ava is coming to the meeting and that she is bringing along her grandparents. Tell Ava that I will especially "bone up" to be prepared for her.

Best regards.

Sincerely,



Warren E. Buffett

WEB/db

Berkshire was what Buffett and his mentor Benjamin Graham called a cigar butt—you can pick it up cheaply and get one last puff. As *Forbes* said in 1990, in its characteristic shorthand, “[Buffett] bought Berkshire Hathaway textile mills 1965 (\$12/share), dissolved partnership 1969 after thirty-fold growth, decided to use Berkshire Hathaway as prime investment vehicle. Textile business floundered (ceased operations in 1985) but investment business boomed.”

Focused on Princeton Newport, I lost track of Warren after 1969. Then in 1983, I heard about the remarkable growth of a company called Berkshire Hathaway. Not knowing it was to become Warren’s investment vehicle, I had stopped paying attention to it back in 1969. The stock price then was \$42 a share, if you could find anyone to trade with. It was now publicly trading at over \$900. I knew at once what this meant. The “cigar butt” had become a humidor of Havanas. Despite its having increased by a multiple of more than 23 in fourteen years, I made my first purchase at \$982.50 a share and continued to accumulate stock. By contrast, in 2004 I was talking to a bank president in San Francisco when he mentioned that his mother had been a limited partner in Buffett Partnership, Ltd., and received some Berkshire stock as part of her distribution when the partnership closed. “That’s wonderful,” I said. “At today’s prices [then \$80,000 a share or so] she must be very rich.” “Sadly,” he said, “she sold at \$79 for a several hundred percent profit.”

If asked for advice, I recommended the stock to family, friends, and associates with the understanding that it was a long-term holding with a possibly volatile future. I didn’t suggest it to those who couldn’t understand the reasoning behind the purchase and who

would be scared by a big drop in price. The response was sometimes frustrating.

In 1985 our divorced house cleaner, Carolyn, got \$6,000 as a settlement from an automobile accident. She wanted to invest it to send her children, aged five and six, through college. Week after week she pleaded with me to advise her, but as she knew absolutely nothing about securities or investing, I declined. Urged on by her fortune-teller, who told her that I would double or even triple her money, she persisted. In a weak moment I relented, provided that if she bought the stock I recommended, she would never sell before checking with me. I arranged low commissions for her, as a favor to me by a broker friend, and she bought two shares of Berkshire Hathaway (BRK) for \$2,500 each. She later left housecleaning for office work and we lost touch with her. Meanwhile BRK rose to about \$5,000 a share just before the October 1987 crash. I learned later from the broker that Carolyn had sold near the post-crash bottom at \$2,600 a share. Sixteen years later, in the first quarter of 2003 at the time her children might have been finishing college, the stock ranged between about \$60,000 and \$74,000 a share.

My wife and I, our oldest daughter, Raun, and her husband, Brian, their daughter Ava, and my son, Jeff, decided, at Jeff’s suggestion, to go to the May 2003 annual meeting held, as always, in Warren’s hometown of Omaha, Nebraska. I wrote Warren ahead of time, mentioning that we were coming and that seven-year-old Ava, also a shareholder, had questions for him. Although we hadn’t been in contact since 1969, he remembered our meetings fondly and said to tell Ava that he would “bone up” so he’d be ready for her questions.