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Festive Mood Prevails at Berkshire Meeting

By Christopher Edmonds

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OMAHA -- Judging from the buying going on at Borsheim's Friday evening, Berkshire Hathaway shareholders have flocked to Omaha in a festive mood this weekend.

Nearly 12,000 shareholders were expected to make the pilgrimage to this Midwestern industrial mecca for Berkshire's annual meeting and, more importantly, to hang on every word of chairman Warren Buffett, the investment icon oft-referred to as the Oracle of Omaha.

Borsheim's, the second-largest jewelry store in America (Tiffany's in Manhattan tops the list) and a Berkshire subsidiary, hosted a cocktail reception for Berkshire shareholders Friday evening, ahead of Saturday's six-hour marathon event during which Buffett and Berkshire Vice Chairman Charlie Munger will take questions from shareholders.

After languishing through the tech-driven market frenzy in 1999, Berkshire stock regained its strength when the tech bubble burst last year.

Those gains should make Omaha a happy place this weekend, prompting shareholders to pony up at Borsheim's and at the booths here for other Berkshire subsidiaries, such as Nebraska Furniture Mart, GEICO, World Book, Kirby Vacuums, Sees Candies and Justin Boots. Justin even designed a boot specially for the annual meeting, complete with a likeness of Buffett on the front. And Buffett's Executive Jet subsidiary is displaying timeshare jets at the local airfield.

And, as is the tradition, large-ticket items at Borsheim's will have their everyday price tags replaced with labels valuing the items in shares of Berkshire stock. Berkshire trades two classes of stock, the original "A" shares and the newer "B" shares, which also are known as "Baby Berkshires." On Friday Berkshire A (BRK.A:NYSE) closed at \$67,005, while Berkshire B (BRK.B:NYSE) closed at \$2,235.

What a Difference a Year Makes

This year's annual meeting is likely to have a more upbeat tone than the gathering a year ago when Berkshire stock was drooping. "It will be different than last year, there is no doubt," says Andy Kilpatrick, an Alabama stockbroker and author of *Of Permanent Value: The Story of Warren Buffett*. "He will get a lot of respect and thanks for what he has done in the past year. And, there will be a lot of talk about how he avoided the 'New Economy' dragon."

Long-time shareholders think respect for Buffett has increased as a result of his steadfast ability to stick to his discipline. **"Last year a lot of people were challenging Buffett and the investment thesis he has successfully executed over the years," says Howard Alter, President of Alter Investment Management, a Princeton, N.J., investment firm and long-time Berkshire shareholder who is attending his eighth annual meeting. "What Buffett has really been able to do over time is stand against irrationality and figure out**

when there is value in the marketplace. I think there will be a lot more congratulations this year than there will be accusations that Buffett is out of step."

Even relative newcomers admire Buffett's persistence now that it appears to have paid off. "I admire the fact that he is a value investor and he stood his ground when everyone else said buy tech, buy tech, buy tech," says Lee Weiner, a Berkshire shareholder from New Jersey attending his first annual meeting. "While all the rest of us got hurt, he survived and persisted based on a method of investing that has worked for 30, 40 and 50 years."

Interestingly, as Buffett made his rounds to shareholder gatherings, the Borsheim's cocktail party and Dairy Queen -- another Berkshire subsidiary -- he was sporting a necktie with the stock symbols of AOL, Dell and other high-tech stalwarts -- companies he says Berkshire will never own. That caused one shareholder to quip, "Is that a hint?"

The Allure of Buffett

That Berkshire has created more widespread, sustained wealth than almost any other single company partly explains the magnetism of Buffett and the largest annual confab in corporate America. But his allure is deeper than just wealth.

"It's the mystique that has grown around him and his common sense and common values," says Lyle McIntosh, an Iowa farmer and Berkshire shareholder since 1985. "That's what people come to see."

Alter says Buffett's down-to-earth style also is a natural draw for individual investors. "Genius is being able to make complicated things simple, and Buffett has a unique ability to do that," Alter says. "He can speak to the masses and explain to them in a fundamental way what investing is all about."

And, for long-timers like Kilpatrick, the annual trek to the heartland has become even larger than Buffett. "It's about the investments but it's also about the people," he says. "From the moment I first came out here I said this is the greatest business story there is. Every year I enjoy seeing the change. I like seeing the old shareholders interact with the new shareholders. It's like watching a life-long story develop."

For many, Buffett's lessons transcend the corporate world. **"It's more than just Berkshire Hathaway, it's a way of life on a grander scale," notes Stephen Shueh, a portfolio manager who works with Alter. "It's the way he lives, the kind of role model he is. If I had kids, I would bring them out because he espouses a number of great values: integrity and a sense of humanness."**

You've Got Questions, I've Got Answers

When the doors to the Omaha Civic Center opened at dawn Saturday, many shareholders had been waiting more than an hour to get a first look at Berkshire subsidiaries peddling their wares. But a hush came over the crowd at 8:30 a.m.

when the formal festivities began with the annual company movie, starring the Oracle himself. As is always the case, the movie drew its share of laughs from the audience, this time drawing from a recent charity event at which Buffett was a caddy for ace golfer Tiger Woods.

After the perfunctory formalities of the typical annual meeting -- something Buffett always tries to complete in less than 60 seconds -- the fun begins. Buffett and Munger sit front and center, under the lights, and take questions from the audience for hours on end.

Asked what he expects, first-timer Eugene Schwartz proclaimed, "I think I'll see a spectacle."

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Stay tuned today for more news from the annual meeting, including a complete wrap later today. And, for RealMoney.com subscribers, check for dispatches on the Columnist Conversation throughout the day from the floor of the annual meeting.

And then, coming Monday, a complete wrap-up of the Omaha weekend and a look ahead to the challenges facing Berkshire and Buffett in the coming months.