

Berkshire Hathaway Case
Dual Class Shares and the value of Control Rights
Robert Bushman; Complex Deals

Overview: Berkshire Hathaway Inc. is an American multinational conglomerate holding company headquartered in Omaha, Nebraska that oversees and manages a number of subsidiary companies. Warren Buffett is the chairman and CEO of Berkshire Hathaway Inc.

Berkshire Hathaway has two classes of common stock designated Class A and Class B. In 2009, a share of Class B common stock has the rights of $1/30^{\text{th}}$ of a share of Class A common stock except that a Class B share has $1/200^{\text{th}}$ of the voting rights of a Class A share (rather than $1/30^{\text{th}}$ of the vote). Each share of a Class A common stock is convertible at any time, at the holder's option, into 30 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.

Objective: To consider how private benefits of control at Berkshire Hathaway would be reflected in stock market pricing of Class A and Class B common shares.

Analysis Questions: Consider the data in Berkshire Hathaway's 2009 Proxy Statement below.

1. What percentage of Berkshire Hathaway's cash flow rights (i.e., economic rights) and voting rights is Warren Buffett entitled to at 11/30/2009?
2. Class A shares (NYSE: BRK-A) and Class B shares (NYSE: BRK-B) are both publicly traded. In the days surrounding the Proxy Statement filing, the average closing price of one Class A share was \$99,425 and the average closing price of one Class B share was \$3,313. Based on these market prices and information contained in the Proxy Statement, is there any significant control premium associated with Class A shares? Support your answer with *quantitative* evidence.

BERKSHIRE HATHAWAY INC.

3555 Farnam Street
Omaha, Nebraska 68131

**PROXY STATEMENT
FOR SPECIAL MEETING OF SHAREHOLDERS**

As of the close of business on November 30, 2009, the record date for the Special Meeting (the “Record Date”), the Corporation had outstanding and entitled to vote 1,056,134 shares of Class A Common Stock (hereinafter called “Class A Stock”) and 14,867,867 shares of Class B Common Stock (hereinafter called “Class B Stock”).

Security Ownership of Certain Beneficial Owners and Management

<u>Name</u>	<u>Title of Class Of Stock</u>	<u>Shares Beneficially Owned</u>
Warren E. Buffett	Class A	350,000
	Class B	1,500,618
Directors and executive officers as a group	Class A	389,838
	Class B	3,169,968

Note 2: Class A Common Stock and Class B Common Stock

The powers, preferences, and rights of the Class A Common Stock and Class B Common Stock, and the qualifications, limitations and restrictions thereof, are fixed as follows:

B. Dividends; Distributions; Stock Splits.

Holders of Class A Common Stock shall be entitled to such dividends or other distributions (including liquidating distributions) per share, whether in cash, in kind, in stock (including a stock split) or by any other means, when and as may be declared by the Board of Directors of the Corporation out of assets or funds of the Corporation legally available therefor. Holders of Class B Common Stock shall be entitled to dividends or other distributions (including liquidating distributions) per share, whether in cash, in kind, in stock, or by any other means, equal to one-thirtieth (1/30th) of the amount per share declared by the Board of Directors of the Corporation for each share of Class A Common Stock and such dividends or distributions with respect to the Class B Common Stock shall be paid in the same form and at the same time as dividends or distributions with respect to the Class A Common Stock; provided, however, that, in the event of a stock split or stock dividend, holders of Class A Common Stock shall receive shares of Class A Common Stock and holders of Class B Common Stock shall receive shares of Class B Common Stock, unless otherwise specifically designated by resolution of the Board of Directors.

C. Voting.

Each holder of Class A Common Stock shall be entitled to one (1) vote for each share of Class A Common Stock standing in his name on the books of the Corporation. Each holder of Class B Common Stock shall be entitled to one-two hundredth (1/200th) of one vote for each share of Class B Common Stock standing in his name on the books of the Corporation. Unless otherwise required by the Delaware General Corporation Law, the Class A Common Stock and the Class B Common Stock shall vote as a single class with respect to all matters submitted to a vote of shareholders of the Corporation.