

**This is a transcript of David Sokol's live, exclusive CNBC Squawk Box interview on Thursday, March 31, 2011.**

**He discussed his [surprise resignation](#) as a top Berkshire executive and the revelation that he personally bought shares in Lubrizol before recommending to Warren Buffett that Berkshire Hathaway buy the company.**



**Sokol had been widely seen as the leading candidate to eventually succeed Buffett as Berkshire's CEO.**

**BECKY QUICK:** Let's get to the man involved in our top story this morning, David Sokol, who is the man who was widely regarded as the leading candidate to succeed Warren Buffett at Berkshire Hathaway. He tendered his resignation earlier this week and he joins us right now on set to explain some of the events leading up to his resignation. And David, thank you very much for coming in today.

**DAVID SOKOL:** Glad, to be here Becky.

**BECKY:** Well, we're thrilled to have you here. I think the reason that this created so much of a stir is that so many people, including me, assumed that you would be the man running Berkshire when Warren Buffett left. What happened? Why did you resign.

**SOKOL:** Well yeah, let me start there because I think that, that's probably the most important issue, which is the resignation. This had been in my mind for about two-and-a-half years and I've talked with Warren over the time. It's got nothing — first of all let me say Berkshire is a fabulous company. Warren's been a mentor, an advisor, a teacher to me for eleven years and it's been one of the best experiences of my life. The reality is — what I like to do is build companies. And Berkshire is a place, if you have my personality, you get pulled into a lot of detail. And [NetJets](#) was a great example.

What I've wanted to do for the last two-and-a-half years is step back and basically invest our family money and build kind of a mini-Berkshire, if you will. Obviously, not the insurance side 'cause I don't have the expertise there. But invest our money and control my schedule a little bit more after 27 years of being a CEO. So that's been the issue. About two years ago, I raised it with Warren and then he asked if I could [help with NetJets](#). And I tend to be the kind of person that if asked — I owe Warren a lot — was happy to do it. Expected to be there around three months — 20 months later. You know, we have a great team in place today. And that's really where all — I drove this time frame I felt with Jordan Hansell and Bill Noe and Adam Johnson and Kenny Dichter and the group that we have now at NetJets. They've got a great business plan. They're solid individuals. They'll do a fantastic job there. I am an owner and will continue to be and am proud of what they do. [Greg Abel](#) at [MidAmerican](#), frankly a world-class CEO, doesn't need my help. Todd Raba at [Johns Manville](#). Those were the areas that I was responsible for, and they're all in great shape. And so, the time was right. And you know it's the right thing for myself and for my family and for those folks. They don't

need my help anymore. So that's — it's nothing more than that. It's no disrespect meant to Berkshire or Warren. I frankly love both of them. Significant shareholder of Berkshire, for me anyway, and Warren's — there's no individual in business that I respect more in the world than Warren.

**JOE KERNEN:** Do you know that you weren't the name in the envelope?

**SOKOL:** (Laughs) You know Joe, it's a great — I think this should end that speculation finally. I don't know what names are in the envelope. It's never been discussed with me. I've never had a conversation with Warren or any board member about it. And to be honest, I think that's the way it should be. I think until the board makes its decision, anybody knowing is a mistake.

**JOE:** You have tried to resign within the last two years and Buffett has talked you out of it?

**SOKOL:** Yes. Yeah.

**BECKY:** So why, why couldn't they talk you out of it this time.

**SOKOL:** Well —

**BECKY:** Did they attempt?

**SOKOL:** The last time I realized it was a mistake. But I made a commitment to help get NetJets sorted out. I tend to be a person that fulfills commitments, but once I finished that I realized that it was just not the right thing.

**JOE:** He didn't try to talk you out of it this time?

**SOKOL:** He did not.

**BECKY:** I guess the question that some people have asked is, why create your own mini-Berkshire when you could be running the actual Berkshire?

**SOKOL:** Well, there are two reasons really. One is — to be honest — Warren's not going anywhere. And by the way, it's just not a job I would aspire to, because nobody is going to do it as well as Warren does. And there's going to be a lot of change that comes with that. But the reality is Warren's not going anywhere. He's in great shape. He's every bit as sharp today as he was when I first met him eleven or twelve years ago. I actually think in some ways he's gotten better because he seems to have an even broader perspective than he did before. He's incredibly intelligent and insightful. And frankly, Berkshire is very fortunate to have him. But I'd like to do kind of like what he did in 1965, which is invest my own money, control a significant piece of it and control my own schedule. I admire enormously what he's done. But whoever replaces Warren will not get to do it the way he does it. He owns 34 percent of the company. And again, none of that is a criticism. I actually — if I could be a thousandth as successful as he is when I am done and when I'm 75 or 80, I'll be real pleased.

**BECKY:** You know, the questions come out of this though, revolving your ownership in Lubrizol shares, and the timing on that as you were bringing this deal to Berkshire as a potential acquisition.

**SOKOL:** Let me hit two things there. One is, first of all, it was in the [press release](#) in an effort to be a hundred percent transparent. The goal, which is a little interesting given some of the comments I've read and that — I thought full disclosure was a good thing. And the purpose there was those shares, my ownership there, would come out 30 or 60 days from now when the voting takes place, etc., on that transaction. And we did not want people to look back and say, 'Why didn't they tell us that?' So it's out there.

The thing people need to understand is, I have never had any authority at Berkshire to invest a dollar in stocks. I have a lot of authority within MidAmerican, Johns Manville, Lubrizol. But I've always been looking for transactions, both to invest in personally, and then if I thought a company was something that Warren might have an interest in, I would forward it to him. Lubrizol is exactly that. I got interested in Lubrizol — frankly I can't tell you where I first heard the name — sometime last fall. I pulled their 10-K. Found what they've been doing the past couple of years interesting. I made a decision to buy some shares. When I mentioned to Warren that I thought there was an opportunity, perhaps, for Berkshire, I told him that I owned some shares. And frankly, I didn't think he had any interest. Most of the ideas that I've forwarded to Warren over the years just were not companies that he had an interest in.

**BECKY:** Can we just walk through the timeline on this —

**SOKOL:** Sure.

**BECKY:** Because this is where some of the questions arise. On the 13th of December you instructed Citigroup to set up a meeting with Lubrizol. Is that true?

**SOKOL:** I had a meeting with Citibank. It was a, you know, I get dozens of packages from investment bankers all the time, on 'Hey, have you thought of some of these companies?' or this and that. I was going to be in New York for a series of other meetings including the [American Football Coaches Association](#) dinner that night. And so I told them if we don't want to have a meeting then — now they had sent me a package earlier, with a whole number of chemical companies listed in it, again, all public information. And they wanted to sit down and see if I wanted to follow up on that. I mentioned to 'em when they called, I said, 'Listen, I'm going to be in New York on the 13th. You know, let's talk.' Only a couple of them even seemed to be interesting. And I had mentioned Lubrizol as one of those because it was a company that I'd already been looking at, and since it was on their list I said, 'Well, if we're going to sit down, let's talk about it.'

**BECKY:** December 14th is when you bought the first shares of the company. Twenty-three hundred shares, the next day?

**SOKOL:** I put an offer in, actually, to buy 50-thousand shares with a limit price —

**JOE:** But we're under the impression that on the 13th you told Citigroup to set up a meeting with Lubrizol's board, that Berkshire might be interested in —

**SOKOL:** No, no.

**JOE:** That's not true? It's not that Berkshire might be interested in acquiring Lubrizol?

**SOKOL:** We had a broad conversation where one of the bankers who was in the meeting said he knew the CEO of Lubrizol, and I said, 'Gee, if you know him well enough to set up a meeting, that would be great, I'd love to meet him.'

**JOE:** But not about Berkshire buying Lubrizol at that point?

**SOKOL:** Well, we didn't even — I mean, he would have certainly have inferred since I worked for Berkshire, you know, that Berkshire would have an interest.

**JOE:** Although you didn't, you said already, you didn't usually decide what Berkshire was going to buy?

**SOKOL:** I can't decide. I have no — but I work for Berkshire so I'm just saying that it certainly would, I think he would have assumed my interest was in some way for Berkshire.

**BECKY:** Why did you sell that stake seven days later?

**SOKOL:** Well, I put a bid, or an offer in for 50-thousand shares at, I believe it was at 104 dollars limit. And they only got 23-hundred, if I remember the number right. And then the stock had gone up from there. About a week later I was doing some tax planning and I had some short-term losses and some short-term gains. It looked like that's all the shares I was going to get, and you know, it's not worth my time to try to manage 23-hundred shares in our portfolio. And so I figured I'd take the gain and put it against the losses.

**BECKY:** So why did you buy back in, I guess, on January 5th, 6th, and 7th, was when you were buying in. That was about 96-thousand shares?

**SOKOL:** Right. First of all, I liked Lubrizol. I thought it was a good company, a company I'd be happy to be invested in long-term. The stock came back down. Actually, don't hold me to these numbers exactly, but I'd put in, again the stock had come down, I put an offer in to buy a hundred-thousand shares if I remember right, to my broker. And he got a certain amount of 'em at just under 104 and then the stock actually came down some more. Bought the remainder at 102, thereabouts, and then the stock went up and we weren't able to get any more. That's how I tend to buy stocks, is determine what I think is a price that I want to buy a certain block. I don't have time to trade or do any of those kinds of things. If I can get it great, if I can't — And so anyways, 96-thousand shares. The next thing that happened is, I think it was January 12th, the banker from Citibank called me and said, 'Hey, I think [Jim Hambrick](#) is going to give you a call to see if you want to, want to get together for dinner.'

**JOE:** Had you spoken to Buffett yet and said that this is a company we, that Berkshire should look at? When was the very first time you said that?

**SOKOL:** I believe the first time was either, either just before Mr. Hambrick called me or just after. I don't recall. And ah —

**BECKY:** Would that be before or after you bought the second tranche of shares?

**SOKOL:** Oh, it was after.

**BECKY:** After.

**SOKOL:** After. That would have been the 14th because Mr. Hambrick called me on the 14th, so I either called Warren just before that call or just after it. And ah, we had a pleasant conversation. Mr. Hambrick told me about a health issue he had recently had and talked about my son, who has a similar health issue historically. And then I called Warren and said, 'You know, there's an opportunity here either for you or I to have dinner with James. And I told Warren I purchased shares in the company. And frankly, at that time Warren was pretty cool to the idea. He says, 'Yeah, I know the company. It's interesting, but I'm not sure it economically makes sense.' But hadn't looked at it for awhile. 'But, you know what, why don't you do ahead and have a meeting and see if there's anything there.' And subsequently had dinner with James up in Cincinnati, or Cleveland, excuse me. I believe it was the 25th.

**BECKY:** OK. And then after that dinner, when you talked to Buffett again and explained what had happened at that dinner, he was more interested based on those conversations?

**SOKOL:** Well, just before that dinner he had sent me an email, actually with, I think it was a Standard & Poor's tear sheet, circling their margins saying, 'The real question is, you know, can they sustain this margin growth (coughs) excuse me, you know, that they've had the last couple of years.' And that is the, frankly, that is the element of, I think, Lubrizol that you have to get comfortable with, that they do have the ability to sustain their margins. That was the primary conversation then that I had with James. And James offered that if Warren had an interest in continuing the discussion, he'd love to come and meet Warren. And so, talked to Warren the next day and from that point on I had no more conversations with —

**JOE:** You knew at that point you had almost a hundred-thousand shares and the wheels were starting to turn for a possible acquisition by Berkshire. At that point did that seem to you that this doesn't smell right and maybe I should sell this right now before —

**SOKOL:** Not all all. Actually, I think it would have been wrong for me to do anything. Once I mentioned to Warren that James had an interest, to me then it was a Berkshire opportunity, whether Berkshire would want to do it or not was up to Berkshire. I would certainly help them, if Warren wanted me to, as he has in other transactions, but it's 100 percent his decision. I made the decision to buy the shares because I thought it was a good investment for my, my family, and I would do it again tomorrow.

**JOE:** But it had already entered your mind that maybe it would be good for Berkshire to acquire it, might be an attractive —

**SOKOL:** Sure. Yeah. But that's up to Berkshire. That's why when I mentioned to Warren that I had either talked to, or was talking to James on the phone, that I owned shares. You know, Warren certainly needed, deserved to know that. Berkshire should know that. But I, I also knew that the decision going forward would be their's and they should know any conflicts I have.

**BECKY:** But some people have raised the question on timing around that. If it was a stake that you had held for, let's say, six months, a year, two years, we've had other people who have been on who have said that wouldn't concern them at all. The idea that this came in such close connection with the idea being brought to Berkshire, to Warren's attention, that's where they have a conflict. Do you understand that that could give the appearance of impropriety?

**SOKOL:** I, I can understand the appearance issue, and that's why we made it public in the press, press release, is that we want people to know there is nothing there. The reality is, I have no control over a deal ever happening. And so to — I mean, the alternative would be for me to only invest my family assets and if I think there's a good deal for Berkshire, not give it to them. I mean, that, to me, makes no sense. It's ultimately their decision.

Certainly if I was going to be the person that was going to get to make the decision whether or not we should buy this company or not, or if I was even going to get to vote on it, that's a completely different scenario. But I'm trying to invest my family's capital, and if I see a company that I think is interesting and potentially undervalued, to not mention it to Warren. to me, seems inappropriate.

**BECKY:** So does this, is this a pattern of trading activity like this that has happened with other deals that you've brought to Berkshire's attention?

**SOKOL:** Ah. No, 'cause the other deals that I've brought to Warren, he hasn't had an interest in. But, you know, Berkshire furnishes us a list of companies that Berkshire has a conflict in —

**BECKY:** Sorry, just to go back to that. You looked at other companies before, bought a stake in it, mentioned it to Berkshire, Warren wasn't interested, but you still maintained those stakes in those companies?

**SOKOL:** Um. Well, only one which is a small bank but it never would have been of interest to Berkshire. But —

**JOE:** There's a lot of, there's other employees as well. This brings up, or begs the question to a lot of people about what Berkshire's internal controls are on employee purchases —

**SOKOL:** That's right. That's where I was going.

**JOE:** .. of stocks.

**SOKOL:** I mean, Warren and (Berkshire CFO) Marc Hamburg furnish us a list of stocks that we are restricted on. Any companies that, you know, that apparently Warren or historically Lou Simpson, or now Todd Combs, or whoever, is invested in, ah, that, you know, we can't ever buy or sell without first contacting Mark. This certainly wasn't one of those companies. It was a company that, you know, I think is a great company.

**JOE:** So you're different than these other guys, you're saying. You have a different role at Berkshire, you're more managing the actual companies themselves than bringing —

**SOKOL:** I have no —

**JOE:** .. than bringing opportunities to, than investing Berkshire's money in new companies, that's not your —

**SOKOL:** That's right. In fact, I have no authority whatsoever. I couldn't spend a dollar of Berkshire's money buying, buying a security tomorrow. If, if it's, you know, at the same time we were working on, for instance, a transaction for MidAmerican that didn't happen, um, in fact I ended up using your cell phone to contact Warren to let him know

we lost it. And, you know, a transaction obviously within MidAmerican, NetJets, or Johns Manville, I could never have any involvement with.

**JOE:** Does, does anyone at Berkshire need to see what you're doing? Is there someone who sign off on, like a compliance guy that looks at what you or other employees are doing to monitor buying and selling of different shares? Is there internal controls?

**SOKOL:** There is, in the sense that they furnish us this list, and as an example, stocks that I've acquired or wanted to acquire that were on that list, I call and get approval that there's no, no —

**JOE:** So you have —

**SOKOL:** .. no knowledge —

**JOE:** Does Warren know the stock activity of employees and —

**SOKOL:** If it, I assume so if it relates to the stocks on that list, yeah. But again, it's important to recognize there's very few people inside of Berkshire. And the only three that I could list, that I know of, were Lou Simpson, Warren, and now, Todd Combs, that actually buy and sell securities on behalf of Berkshire, ah, with their own discretion. None of us have that right to do that.

**BECKY:** I guess, one of the questions that comes out is, just how, you knew this was going to be public at some point. You knew that this was going to come out if you —

**SOKOL:** Well if, certainly if, certainly if Berkshire made a decision to go forward, absolutely. But I, again I don't believe I did anything wrong. I was making an investment that I believe in. Frankly, if I believe in something — if I don't believe in it, I wouldn't recommend it. The fact that the Berkshire board, I mean it's, it's I don't think any different than, you know, Mr. Munger owned a significant piece of BYD before he mentioned it to me to go look at it. And he owned about three percent of the company.

**JOE:** It just —

**SOKOL:** But it was completely independently reviewed. I made my recommendations to Warren. Warren and I talked about it and the decision was at Warren's level to — but even there, even though it was something that I was asked to look into —

**JOE:** It seems like —

**SOKOL:** — the decision was ultimately Warren's.

**JOE:** It seems like you went beyond what you're telling us your normal role is on initial, on the December 13th call, were telling Citigroup that Berkshire might be interested. At that point you were no longer just investing for yourself or running MidAmerica. You were, at that point, looked like you were, um, looking for investments for Berkshire and had some say on what Berkshire might want to do, and that's where the impropriety looks like —

**SOKOL:** I don't think there's any impropriety. Certainly I was trying to — if they had the contact they have, and you need to understand in the world of dealing with investment bankers, they often don't. (Laughs.)

**JOE:** Right.

**SOKOL:** I can't tell you how many investment bankers who told me that they're the primary, ah, banker.

**JOE:** But did you say Berkshire might be, tell the board of Lubrizol, that Berkshire might be interested —

**SOKOL:** No.

**JOE:** — in acquiring —

**SOKOL:** No. I asked them to set up a meeting with James Hambrick, if they knew him well enough, and that I, you know, like to sit down and speak with him.

**JOE:** And they might have deduced that it might have something to do with Berkshire?

**SOKOL:** Well, that conversation, if it ultimately got set up, would in fact, you know, my intention would be to both tell him that I think Berkshire is a great place and would he like to have a meeting with Warren, potentially? I mean, the goal would be to set up, hopefully, a meeting for Warren to have. Those meetings aren't typically easy to set up —

**JOE:** So you can suggest but you're not actually in the decision making process of what Berkshire finally decides.

**SOKOL:** That's right. And if you go back to 2002, I made all kinds of suggestions, many of which we ultimately did. We bought a couple of companies, one from [Dynegey](#), one from [Williams Companies](#), we made a loan to the Williams Companies. We made loans to [CenterPoint](#). We made loans to [Texas Utilities](#). Those were all my ideas, but the decision to do them is, is —

**JOE:** I just wonder at this point if a lot of people think that they need to go back and see other employees and decision makers at Berkshire and whether they had personal investments in companies that were eventually bought by Berkshire and whether they had something to do with the decision actually buy the companies at Berkshire.

**SOKOL:** Yeah. If there's any, any inappropriate behavior, I mean, it certainly should be looked at. I don't, I know of none and I certainly don't believe I've done any. And one point that was raised earlier too was that Warren didn't learn of this until he was on his flight to India, and let me just be clear —

**JOE:** Yeah.

**SOKOL:** I disclosed to Warren that I owned the shares. The reason he learned of it at that timing was Marc Hamburg, the CFO, had called me and said, 'Hey, Warren had told me you owned some shares of Lubrizol. We'll need to disclose those ultimately. Can you give me the details?' And I —

**BECKY:** So he knew you had a stake but he didn't know, necessarily, how much you owned or when you bought it? Is that —

**SOKOL:** That's right. He didn't ask, and — but ultimately, obviously, when Marc called and said, 'Hey, I just need the details of that,' he got them.

**BECKY:** OK. And that's the 19, the March 19th date that we've looked at. Um, I've looked through —

**SOKOL:** That's when he asked me for —

**BECKY:** — for the information.

**SOKOL:** Yeah.

**BECKY:** I've looked through Berkshire's code of conduct and ethics and there's nothing in here about what stocks you can or can't buy or when you can do it. But there are, there is an area on insider trading, and that's not what I'm saying that this is, but it says, 'Covered parties who have access to confidential information are not permitted to use or share that information for stock trading purposes, or for any other purpose, except the conduct of the company's business.' I guess your answer as to why this doesn't qualify for this is because you weren't making the decision?

**SOKOL:** No. I didn't have any inside information. Everything I had done on my own analysis, everything that, and actually it's just summary sheets that Citibank had furnished, were just public information. There was nothing in them, at all, non-public.

**BECKY:** Again, I'm just trying to get to how active your portfolio is and how often you make trades like this. Is it unusual for you to buy stock in a company or is this something you do pretty frequently? How active is your portfolio?

**SOKOL:** Three to four decisions a year, so I don't trade, trade a lot.

**BECKY:** OK, so this is a rather unique situation, but you saw an opportunity, and thought that this was a company that was something you wanted to buy into no matter what?

**SOKOL:** Thought it was undervalued, to be a good long-term company.

**BECKY:** OK. Has the SEC contacted you at all?

**SOKOL:** No.

**BECKY:** You haven't heard from anyone?

**SOKOL:** No.

**BECKY:** And again, both you and Warren Buffett have said you don't think you did anything unlawful, in this situation.

**SOKOL:** Correct.

**BECKY:** Do you think you did anything unethical?

**SOKOL:** No. Not at all. I mean, the reality is, I don't think I thought there was even a five percent chance that Warren would even ultimately have an interest in this company. It's an unusual company for Berkshire. I thought it was a good company. Based on my past experience of what, you know, telling Warren, 'Hey, I think this company is kind of interesting' and him not having an interest in it, um —

**JOE:** But then when it happened and you, you know, you had a hundred-thousand shares basically, and all of a sudden it is going to happen, at that point didn't you go, 'Oh my word, I've got, I'm going to make three million dollars on this. I brought the company to them. I bought the stock before. And it looks like front running, David. That's what it looks like. It didn't at that point, it didn't go off in your mind that, 'Holy crap, I've got a problem?'

**SOKOL:** No. I don't think — Again, I don't think I had a problem. I don't think I did anything inappropriate. I bought stock in a company that I thought was a good company. I mentioned to Warren that I thought this is a company that if you can get a chance, you know, take a hard look at. He initially was not too excited about it and then got more interested later.

**JOE:** I mean, it's the way that it all came together, I can see how, how it happened. But I would have — and I can see how you'd be going along fine with it. And it's a great company, it's undervalued. I want to build a position. And what we have money managers constantly on here, David, that talk about stocks that they like. And then you find, you know we have people, 'Oh my God, in the 10-Q he owned that stock before.' Yeah, he owned the stock before, that's why he's recommending it on the air. So we see that all the time. But we can't, you know, I see a good reason why there's no way we could invest —

**BECKY:** Personally —

**JOE:** Personally —

**SOKOL:** Sure.

**JOE:** Because —

**SOKOL:** Well, if you even know, for instance, if you know a CEO's going to be on —

**JOE:** —Right —

**SOKOL:** — tomorrow to announce something, obviously, then, you don't maybe even know what the announcement is, but you know something that others don't know. I didn't know anything others don't know. Berkshire is always looking for companies —

**JOE:** You knew you had a chance to talk him into it.

**BECKY:** I was going to say, you knew that Warren would consider it, at least. At least take a look at the situation, which is more information than somebody on the outside would have.

**SOKOL:** Well, maybe, but I would tell you that I think Warren will look at any transaction that's brought to him, um, and make a decision, yes or no.

**BECKY:** How many transactions a year do you bring him?

**SOKOL:** Ah, well in an average year? I don't think there is an average year, I'd say over the last ten years probably eight or nine.

**BECKY:** OK. So —

**SOKOL:** I mean outside of, let me say this, outside of, and don't get me wrong, outside of MidAmerican or NetJets or something like that. If, if MidAmerican were looking to buy a company and I had some particular expertise, to both value that company and to believe that MidAmerican may actually, ah, really want an interest in it. You know, there, it's a completely different issue. I mean, because I'm responsible, I'm the CEO of that company. It still would be Warren's decision but, but there I have a particular expertise. I mean, I have no expertise with Lubrizol. I just felt from doing a financial analysis that they were, they were a company that had, had potential and seemed to be, to be fairly valued and it was interesting. So I think it's — You have to put it in the context of what my responsibilities are, what my, you know, responsibilities are to Berkshire, and just me investing personally.

**BECKY:** This, the details of the transaction, of how much you owned and when you bought that, was something, you handed over those details on March 19th. You resigned a week and a half later. And, how did Berkshire, how did Warren, treat this information when they received it? What was his reaction? What was the board's reaction?

**SOKOL:** On the 19th?

**BECKY:** Yeah.

**SOKOL:** I never got any, any response to it. I gave them the information. The timing of my resignation, just let me be clear — I know sometimes facts, people don't want to hear 'em — was for two reasons. One, it's time to transition and let Jordan Hansell and the team at NetJets take that on. The annual meeting was coming up. There's always a tremendous amount of speculation about succession. I thought it was an ideal time. The Lubrizol transaction is public. It was the right time. I could do it now. I knew it would be difficult with, you know, obviously it's not easy to leave a company like Berkshire —

**JOE:** David, Jordan's a lawyer, right?

**SOKOL:** He is.

**JOE:** He's your guy. Is he the right guy for, for NetJets?

**SOKOL:** I think he is. Because I think, first of all, NetJets is doing terrifically. But let me tell you why. NetJets is a very interesting company and very complex. You've got enormously important flight operations, as you can understand, and Bill Noe, who runs that side of the business, is a 17-year employee, a pilot for many years, been in management for quite some time at NetJets, fantastic guy. Sales and marketing is a huge piece of it. You've got two guys there, Adam Johnson and Kenny Dichter, who I would argue are, by far, the best in the industry. You've got a very sound financial officer in Brent Smith. You've got a very seasoned guy that we brought in from the outside for aircraft acquisition and management in Chuck Suma. What I needed at the top of the company was someone who can really manage that group and allow those pieces of expertise to do what they do.

**JOE:** I see. So, all of 'em together, put together, have the commercial airline, have all the experience necessary?

**SOKOL:** That's right. What you don't — What you don't want to do in a business like that is take somebody that is a fantastic operations guy, and just because he's fantastic at that and has been around awhile, take him out of what he's best at and say, 'Listen. You now manage all these guys.' Jordan has demonstrated a real ability to manage multi-functions, etc. —

**JOE:** But you had CEOs at, already at MidAmerica, you were just chairman there, right? You already —

**SOKOL:** Correct, and I —

**JOE:** — And you were CEO at Johns Manville.

**SOKOL:** Johns Manville was kind of a similar thing to NetJets —

**JOE:** You were still CEO at NetJets, right?

**SOKOL:** Correct. Yeah.. And I had promoted Jordan to president and chief operating officer and Kenny Dichter to vice chairman when we acquired Marquis. Johns Manville was a similar situation. A few years back, Warren had asked me to get involved there. We ended up restructuring the management team. Brought Todd Raba in from MidAmerican, actually to head that group up, and he's been doing a great job even through the housing downturn.

**JOE:** You know, David, Warren is, and Berkshire, has such a squeaky clean reputation and I know there's a lot that goes into your decision to resign. But you can see that someone might say that Warren accepted your resignation this time because of what happened and the way that it might look or the way that it might smell to people? As much as he protects his reputation and Berkshire's, you don't think there's anything to that?

**SOKOL:** Well, I think, you know, I, you have to ask Warren why he ultimately accepted it. I think he recognized that twice before I had tried to resign, and frankly I think he, the first time for sure, he did me and Berkshire a favor by convincing me that that was not the right thing. The second time, I think he did Berkshire a favor, but I recognized afterwards that now the right thing for me is to, you know, do what I love to do. I had the opportunity in '83 to take over a small company at the beginning of its life and build it to a significant business.

**BECKY:** MidAmerican?

**SOKOL:** Well, at the time it was Ogden Projects. Today, MidAmerican we started with a very small company in 1991, sold it to Berkshire in '99. That's what I love to do. Teach and train teams. And if I can invest our own capital and do that, that's what we want to do. The reality is, I think, um, there was going to be criticism and discourse over this decision at some point, in any event. When people, you know, Warren's a very important and very talented guy.

**JOE:** I can just tell you that, that seeing, you know, public commentary and some of the stuff in the papers, there is going to be enough of a, ah, of a hoopla, that I wouldn't —

Do you think Warren, at this point, will need to tighten up the internal controls at Berkshire, or change something, or take some step to make sure, that at least, it doesn't have the —

**SOKOL:** You know, not that I see. I don't think there's anything done here. I mean, the fact that the transaction moved forward as quickly as it did is, frankly, unusual. You know, in most cases —

**JOE:** Right.

**SOKOL:** You know, I don't know when, when Berkshire first started buying Burlington Northern stock, but it was way before and continued to accumulate, then finally a transaction came about.

**BECKY:** So the speed of the transaction with Lubrizol surprised you?

**SOKOL:** Yeah. I mean, normally, you know, 19 out of 20 times when we even have a conversation with someone, it doesn't go any further. And that's fine. I mean, a lot of companies just choose that they want to be independent and that's fine. This one happened to go faster once Warren got involved with it, but, you know, that was outside of my control, so I don't think any internal controls were, ah, were broken or any other, you know, issues are a problem.

**BECKY:** We, we spoke with Mike Hollander earlier, who was at Solomon Brothers when Warren and Charlie came in, when everything blew up there. And he said that one of the conversations he had with the managing directors at that point was, you've got to make sure, I want everything that you play to be hit squarely within the lines, not to be anywhere near the edges. And, I guess the question is, do you think this rises to that level?

**SOKOL:** I, I would —

**BECKY:** If you had to do it over, seeing the hoopla that's broken out, if you had to do it over, would you change your mind on it?

**SOKOL:** Ah, you know, I guess, knowing today what I know, what I would do differently is I just would never have mentioned it to Warren, and just made my own investment and left it alone. I think that's a disservice to Berkshire, but if that's, if that's what people want to do in the future, that's fine. You can't, or at least I don't think you can, ask executives to not invest their own family's capital in a company that Berkshire had no interest, or even knowledge of, and somehow police that. The only thing you can do is just say if you invest your own money, don't ever mention it to anybody at Berkshire. That doesn't make sense to me either, but, but that's certainly what it sounds like.

**JOE:** In a, in a perfect world with no second guessing, you'd say, 'I saw a company that was undervalued. I liked it. I bought some for myself.' And I told, ah, Warren Buffet that this is a company that Berkshire should look at. And I, you know, say that and, you know, at face value that seems fine. It's just all the, I can just tell you there's a lot —

**SOKOL:** Well, I've seen it, I've seen it, you know. Well, the reality is, that is the case. And I, you know —

**JOE:** Yeah.

# Warren Buffett Watch

Keeping Track of America's Billionaire Next Door



**SOKOL:** — when it's all said and done, the one thing I'm pleased with is the 11 years I had with Berkshire have been fantastic. I've learned a lot. Warren is a phenomenal guy. And by the way, NetJets is great. And I do have to make one comment if you don't mind, just one.

**JOE:** Uh-huh.

**SOKOL:** Happy birthday, Lucy.

**BECKY:** (Laughs.) Who's Lucy?

**SOKOL:** Have a great day today. I'll see you this weekend.

**BECKY:** Who's Lucy?

**SOKOL:** One of my grandkids.

**BECKY:** Alright.

**JOE:** Thank you for all your time.

**SOKOL:** Thank you. Appreciate you just asking whatever questions and getting it out because it's — And I look forward to moving forward.

**JOE:** OK. We hope to see you again. Good luck in your, it's not really a next life, but in your continuing, in your continuing life.

**BECKY:** Yeah, the same.

**SOKOL:** I look forward to it, thanks.

**JOE:** What are you going, you're not going, are you going to call it Sokol Hathaway, or what's your —

**SOKOL:** Mini Berkshire.

**JOE:** Mini Berkshire. (Laughs.) I think there already is a mini Berkshire.

**SOKOL:** Uh oh. Well, we'll see.

**JOE:** Thank you.