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David Sokol

Berkshire shareholders' views mixed on Sokol

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Berkshire Hathaway shareholders still have questions about David Sokol, Lubrizol and stock-buying and say the situation will be a hot topic when they come to Omaha later this month for their annual meeting.

And they have opinions.

» "I was shocked, devastated, because David has the highest integrity, is a terrific person, professionally and personally," said Paul Lountzis, an investment adviser from Wyomissing, Pa. "I don't know if it's a mistake in judgment or what. I think the world of David."

» "I don't see anything wrong at all with what Sokol did," said Lee Bachand, a retired Omaha banker. "He's being blamed for being a good employee. Everybody's making him out like he's this big crook, but I see him as a friend to the Berkshire shareholder."

» "I'm very disappointed in David," said Jeanette Vinson, a retired auditor from Seattle. "I just think he didn't use good judgment."

» "I'm sorry that he stepped down, but perhaps it is a good thing if there are any irregularities that come out," said Susan Redline, a retired teacher from Bethlehem, Pa. "I don't think there will be, but one never knows."

Sokol, 54, long considered a candidate to succeed Warren Buffett as CEO of Omaha-based Berkshire, resigned suddenly Monday, saying he wanted to start his own investment company. Buffett announced the resignation Wednesday and gave a detailed account of Sokol's purchase of shares of Lubrizol Inc., an Ohio chemical company, and of Sokol's role in persuading Buffett to acquire the company for \$9 billion.

The transaction, subject to a vote of Lubrizol shareholders later this year, would give Sokol a \$2.8 million profit.

Sokol has said the stock transactions were not a factor in his resignation and defended them as proper, but he said if he had to do it

over he would buy the shares but not recommend that Berkshire acquire the company. Buffett said the decision to purchase Lubrizol was his, but the acquisition would not have happened without Sokol's efforts.

Buffett and Sokol have said the stock transactions were not "unlawful," but others aren't so sure and question Sokol's ethics.

The topic is sure to be a hot one among shareholders at their annual meeting in Omaha on April 30. Last year, about 37,000 people attended the session, which annually gives shareholders a chance to ask Buffett and his vice chairman, Charlie Munger, direct questions about any topic on their minds.

"I have a lot of questions," said Ralph Witkin, a real estate investor from Greenwich, Conn. "I don't think anything illegal's been done," but Sokol's stock purchases were "just so out of line. It's something you would never expect a high-level manager of Berkshire to do. The whole thing just smells bad."

The abruptness of the resignation, he said, also raises questions: "What kind of high-level executive does that? Why did that happen right now, after the takeover of Lubrizol and the disclosure that he had a position in it? Too many questionable things happening all at the same time."

Witkin said he doesn't think less of Buffett: "He's pretty much a straight shooter, but maybe he had more confidence in an employee than he should have."

Witkin said he hopes Buffett will give more information about the matter at the meeting. "I think he wants all the shareholders to be able to sleep at night."

Buffett, however, said in the press release announcing Sokol's resignation: "If questioned about this matter in the future, I will simply refer the questioner back to this release."

Vinson, the Seattle auditor, said the matter reflects badly on Sokol but not Buffett. "He (Buffett) stands for ethical behav-

ior procedures, and he expects his people to follow," Vinson said. "I have no problem with people being dismissed when they do things against the norm. This is a nick that happened. I think the right thing has been done, that David's gone."

Bachand, the retired banker, said he sent a note to Buffett pointing out that Berkshire benefits from Sokol bringing Lubrizol to Buffett's attention so that the \$9 billion could be put to work for shareholders.

"I think as a shareholder, he (Sokol) did the right thing for me," Bachand said. "I think he's been done a terrible disservice by everyone on this thing."

Lountzis, the investment adviser, said he knows Sokol and still considers him "an honest, first-rate guy professionally and personally," but he said the Lubrizol transactions were not in line with Buffett's ethical standards.

"I think it's a sad day for Berkshire, it's a sad day for Berkshire shareholders, and it's a sad time for David Sokol and Mr. Buffett," Lountzis said.

While Buffett didn't say what he thought of the Lubrizol purchases, "Anyone who knows Mr. Buffett and has followed his career doesn't even need to guess what his thinking is."

Once Sokol told Buffett that Berkshire should buy Lubrizol, he should have sold his shares, Lountzis said. If Buffett turned down the idea, Sokol could have repurchased shares if he wanted. But holding on to them while recommending Lubrizol raises ethical issues, Lountzis said.

Even so, he said he doesn't think Buffett should talk more about the matter, and legal restrictions may limit what he can say.

"I don't know if it's necessary to beat a dead horse. Everyone can look at the facts as Mr. Buffett presented them. It's up to each and every individual to make their own assessment."