

**TO: BOARD OF DIRECTORS
OF
BERKSHIRE HATHAWAY, INC.,**

**FROM: ENGULF & DEVOUR,
RESEARCH DIVISION OF STERLING COOPER, INC.
www.sterlingcooper.info**

Dated: September 7, 2025

ENGULF & DEVOURTM



ANALYSIS OF CONSISTENT MISSED OPPORTUNITIES BY WARREN BUFFETT AND THE BOARD OF DIRECTORS OF BRK, WHO SEEM TO BE CLUELESS AS TO ADD-ON ACQUISITION OPPORTUNITIES THAT ARE CONSISTENTLY NOT CONSIDERED, OR,

PERHAPS NOT EVEN RESEARCHED OR INVESTIGATED; INSTEAD SIMPLY RELYING ON THE WHIMS OF A 94-YEAR-OLD TO SOLELY FIND ACQUISITIONS THAT HE HAS FAILED TO DO WHILE CLAIMING THAT THERE ARE NONE TO BE FOUND.

NOTE MANY EXAMPLES BELOW.

POSSIBLE EXPOSURE TO SIGNIFICANT ACCUMULATED EARNINGS TAX FOR FAILURE TO DECLARE DIVIDENDS FOR 60 YEARS.

The business model espoused by Warren Buffett, CEO, as the **Oracle of Omaha as he likes to be called**, was a reasonable expectation that after a platform business was acquired, subsequent add-on acquisition would be added to that business.

WHY HAS THAT OPERATING MODEL BEEN ABANDONED, seemingly at the whim of Mr. Buffett and without any comment or protest by the apparently long asleep Board of Directors?

Why has the significant excess cash not been distributed to stockholders as dividends or otherwise, such as the case in most all large public companies, and instead has been diverted to random “stock guessing/picking” solely, apparently by the aging and frail Mr. Buffett without any seeming oversight by the Board?

Buffett’s complaining that he does not see any opportunities for add-on acquisitions, is in our opinion not only misleading, but actually false.

We pointed out in a previous correspondence how just acquiring THREE companies all leaders in their criteria, would literally DOUBLE the already substantial revenues of BRK...now for some more insights.

We wanted to point out how obvious it was that no investigation or analysis for add-on acquisitions were made in the case of several of the platform businesses owned for a long time described below:

1. MCLANE Co- a Berkshire subsidiary- \$52 Billion in revenues, and no add-ons even though we have easily identified complementary possibilities as follows all names disclosed to Buffett and the Board:

- a. XXXXXXXXXXXXX-Revenues of \$78 Billion.
- b. XXXXXXXXXXXXX- Revenues of \$58 Billion.
- c. XXXXXXXXXXXXX- Revenues of \$38 Billion.
- d. XXXXXXXXXXXXXXXXXXXXXXXXXXXX DISTRIBUTING.
- e. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues of \$15 Billion.
- f. XXXXXXXXXXXXXXXXXXXXXXXXXXXX- Revenues of \$31 Billion.
- g. XXXXXXXXXXXXXXXXXXXXXXXXXXXX- Revenues of \$23 Billion.
- h. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues N/A.
- i. XXXXXXXXXXXXXXXXXXXXXXXXXXXX.-Revenues N/A.
- j. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues N/A.
- k. XXXXXXXXXXXXXXXXXXXXXXXXXXXX- Revenues N/A.
- l. XXXXXXXXXXXXXXXXXXXXXXXXXXXX- Revenues N/A.
- m. XXXXXXXXXXXXXXXXXXXXXXXXXXXX.-Revenues N/A.
- n. XXXXXXXXXXXXXXXXXXXX DISTRIBUTION-revenues \$7 Billion.
- o. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues N/A.
- p. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues N/A.

AND MANY MORE....

2. JOHNS MANVILLE-a Berkshire Company, Revenues of \$3.5 billion? and made one ADD-ON acquisition 6 years ago!

- a. XXXXXXXXXXXXXXXXXXXX-Revenues \$16 Billion.

- b. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$20 Billion.
- c. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$23 Billion.
- d. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$10 Billion.
- e. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$3 Billion.
- f. XXXXXXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$3 Billion
- g. XXXXXXXXXXXXX-Revenues N/A
- h. XX
- i. XXXXXXXXXXXXXXXX
- j. XXXXXXXXXXXXXXXXXXXXXXXX
- k. XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

AND MANY MORE.

3. PILOT CO., Berkshire company, Revenues \$47 Billion.

- a. XX-Revenues N/A/
- b. XX-Revenues N/A
- c. XX-Revenues N/A
- d. XX-Revenues N/A

e. LEGENDARY GIANT SINGLE LOCATIONS:

- 1. XX

AND MANY MORE.

4. BERKSHIRE AUTO DEALERSHIPS ??? REVENUES?

- a. XXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$26 Billion
- b. XXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$36 Billion
- c. XXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$30 Billion.
- d. XXXXXXXXXXXXXXXXXXXXXXXX-Revenues \$13 Billion.

AND MANY OTHERS

5. THE BERKSHIRE INSURANCE COMPANIES

- a. XXXXXXXXXXXXXXXXXXXXXXXX
- b. XXXXXXXXXXXXXXXXXXXXXXXX
- c. XXXXXXXXXXXXXXXXXXXXXXXX
- d. XXXXXXXXXXXXXXXXXXXXXXXX
- e. XXXXXXXXXXXXXXXXXXXXXXXX

and many more regional and reinsurance companies as well

LITERALLY EVERY BERKSHIRE PLATFORM COMPANY SEEMS TO BE WAITING FOR THE 94-YEAR OLD CEO TO “FIND” SOMETHING TO BUY! AND HE HAS FAILED TO FIND ANYTHING!

INSTEAD, HE HAS STARTED TO PICK (GUESS) PUBLICLY TRADED SHARES, CONTRARY TO HIS OWN ADVICE TO INVESTORS TO WHOM HE ADVISED TO BUY A BUSINESS NOT STOCKS...

LET’S GET A DIVIDEND DECLARED AFTER 60 YEARS, INSTEAD OF RELYING ON THE CONTINUED ILL-CONCEIVED ADVICE OF MR. BUFFETT...

BRKCOULD BE EXPOSED TO THE ACCUMULATED EARNINGS TAX (“AET”) DUE TO THE ILL-ADVISED DECISIONS OF THE CEO TO NEEDLESSLY HOARD CASH AND PARK IT IN LOW YIELD TREASURY NOTES, FOR NO GOOD REASON ACCEPTABLE TO THE IRS, WHICH COULD EXPOSE BRK TO THE AET TO BE AS HIGH AS \$121.4 BILLION.

ANALYSIS OF THE AET

The Accumulated Earnings Tax (“AET”) was enacted to prevent corporations from hoarding profits to shield shareholders from tax. Berkshire Hathaway has done precisely that for nearly six decades.

Its vast accumulation of retained earnings, coupled with its unique refusal to pay dividends, squarely meets the statutory triggers of I.R.C. §§ 531–537.

Statement of Facts

- *Berkshire retains ~\$296 billion in marketable securities.*
- *No dividends for 60 years.*
- *CEO Warren Buffett has publicly admitted this policy benefits shareholders by compounding tax-free, which is a willful false statement. Payment of dividends would also potentially require HIM to personally pay billions in income tax.*
- ***No contemporaneous significant acquisition plans justify retention.***

Argument

I. Berkshire's Retentions Exceed Reasonable Business Needs

Under § 537 and Smoot Sand, accumulations must be tied to specific, definite, and feasible plans. Berkshire has none. "Dry powder" is opportunistic speculation, not an articulable business need.

II. Minority Equity Stakes Are Unrelated Investments

Treas. Reg. § 1.537-2(c)(4) excludes unrelated investments from justification. Berkshire's <10% stakes in Apple, Coca-Cola, and others cannot be considered operational capital.

III. The Statutory Presumption of Tax Avoidance Applies

Per § 533(a), unreasonable accumulation itself is determinative of avoidance purpose. Berkshire's excess is admitted. Under Donruss, the

government need only show that tax avoidance was one motive, not the sole one.

IV. Shareholder Tax Deferral is Conclusive Evidence of Avoidance

By withholding dividends, Berkshire enables indefinite shareholder deferral. Ivan Allen requires securities FMV be included in working capital. Once included, Berkshire's surplus is undeniable.

V. Berkshire Cannot Rebut the Presumption

Its defenses (insurance float, opportunistic acquisitions) fail:

- *Insurance float is already counted as liability-driven surplus.*
- *No documented acquisition plans of sufficient size exist.*
- *Public admissions prove shareholder-centric motive.*

Conclusion

Berkshire Hathaway's accumulation policy exemplifies the precise abuse Congress targeted with the AET.

The government can request the Courtsto uphold the possible proposed \$121.4 BILLION deficiency, impose the § 531 tax on accumulated taxable income, and find that Berkshire's earnings were retained for the proscribed purpose of avoiding shareholder income tax and use Buffett's own words to prove their point.