

Berkshire to sell UP, Norfolk Southern stakes

(The Associated Press circulated the following story by Josh Funk on November 9, 2009.)

OMAHA, Neb. — Warren Buffett's company will sell its stakes in Union Pacific and Norfolk Southern railroads before it completes its \$26.3 billion acquisition of Burlington Northern Santa Fe Corp. railroad.

Berkshire Hathaway Inc.'s plan to sell those stocks was revealed in documents filed with the Securities and Exchange Commission on Monday.

According to a transcript of a conference call, BNSF's CEO Matt Rose told employees of his railroad that Berkshire plans to sell its 9.6 million shares of Union Pacific Corp. and 1.9 million shares of Norfolk Southern Corp.

Berkshire's holdings represented 2 percent of Union Pacific and less than 1 percent of Norfolk Southern.

Berkshire officials did not immediately respond to questions on Monday. They do not typically comment on the company's stock holdings.

Berkshire last provided an update on its U.S. stock holdings in August when it listed its holdings as of the end of June. A third-quarter update is expected later this month.

Buffett said last week that the BNSF deal is essentially a wager on the U.S. economy because railroad profits tend to grow along with the nation's economy. The railroads carry raw materials and finished products for a number of industries as well as delivering coal to utilities.

Buffett has said he realized a few years late that railroads were an appealing investment. As diesel prices rise, shipping by rail instead of truck becomes more attractive, and it would be extremely difficult for a competitor to build a new railroad.

Monday's disclosure confirms that Buffett has chosen to let his rail wager ride exclusively on Burlington Northern, the nation's second-largest railroad.

Berkshire already owns 22.6 percent of BNSF's stock, and last Tuesday it announced a plan to acquire the rest for \$100 per share in cash and stock.

The acquisition of Burlington Northern, based in Fort Worth, Texas, would be the biggest ever for Buffett's holding company. Berkshire's biggest previous acquisition was the \$16 billion stock purchase of reinsurance giant General Re, announced in 1998.

The deal requires approval from Burlington shareholders and antitrust regulators and is set to close early next year.

Berkshire owns roughly 70 subsidiaries, including furniture, insurance, jewelry and candy companies, restaurants, natural gas and corporate jet firms. Berkshire employs more than 240,000 people and has major investments in such companies as American Express Co., The Coca-Cola Co. and Wells Fargo & Co.

Union Pacific shares rose 2 cents to close at \$62.38 Monday and Norfolk Southern lost 12 cents to \$51.95.