

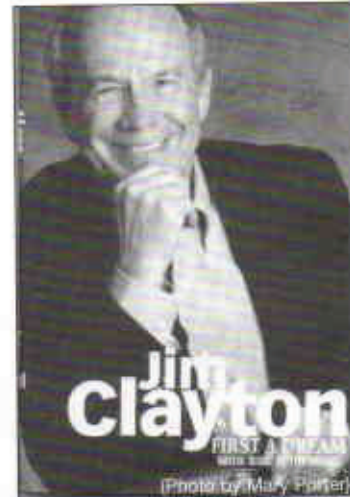
THE BOOK ON CLAYTON

A gift of Jim Clayton's book, *First A Dream* given to Buffett by a University of Tennessee finance professor may have played a role in Berkshire's buyout of Clayton Homes.

"It appears this entire transaction was started when a friend of mine gave Mr. Buffett my book a month ago," Clayton has been quoted as saying.

The story, first reported by Amy Nolan of *The Knoxville News-Sentinel* (April 2, 2003), told how Tennessee finance professor Al Auxier had traveled five times with his students to meet with Buffett in Omaha.

Auxier and Buffett started corresponding back in 1994 after Auxier wrote an article for *Barron's* about Ben Graham. The correspondence led to Auxier taking his students for five years to Omaha to meet with Buffett.



The Book on Clayton



"It's Lighter Now."

When Buffett came to Knoxville on April 8, 2003 for a talk, his photo was taken handing his wallet to Jim Clayton. Buffett quipped: "It's lighter now."

"If Warren Buffett tells them something, it may stick. If I tell them something, it may not," Auxier says. (*Knoxville News-Sentinel*, April 22, 2003)

Auxier thought Buffett would enjoy Clayton's self-published memoir about how a West Tennessee sharecropper's son rose to be an entrepreneur who created a mobile home company with \$1.2 billion in annual sales.

"I knew Buffett had been interested in Conseco and in Oakwood Homes and that he likes to read good business

biographies,” Auxier said, adding that Buffett had suggested the students read a biography of Sam Walton. So, in February 2003, Auxier and his students gave Buffett the Clayton autobiography.

Buffett recognized the Clayton Homes name and first asked if Clayton had been generous to the University of Tennessee. Clayton had.

Jim Clayton recalls that Buffett asked Auxier to check with the Claytons to see if they minded if he called them about the mobile home industry. “We thought he wanted information about the industry relative to his interest in Conseco and Oakwood,” Clayton said.

One of the students, Richard Wright, who works for Jim Clayton, told Clayton about Buffett’s response to the book gift, and showed him the picture below. A former student, Michael Daniels, also had the idea of giving Buffett the book. Clayton and his son, Kevin, then decided that there were synergies between Berkshire and Clayton Homes, and asked Auxier to put them in contact with Buffett. So Auxier e-mailed Debbie Bosanek, informing her that the Claytons



The Book on Clayton

University of Tennessee student Richard Wright presents Buffett with a copy of Jim Clayton’s autobiography. Just before the shareholders’ vote to merge with Berkshire, Jim Clayton said, “As soon as we decide what’s going to happen to us next, we’re going to write another 30 pages and print another 15,000 copies.” (KnoxNews.com, July 3, 2003)



[Photo courtesy of Al Auxier]

Go Vols.

Buffett posed with University of Tennessee MBA students near Berkshire headquarters in Kiewit Plaza in February 2002.

wished to explore a business relationship with Buffett. Buffett replied to Kevin and soon a deal was struck.

Only two weeks after Buffett received the book, Buffett left a voice-mail message for Kevin Clayton, Clayton's CEO and a University of Tennessee MBA graduate. The two talked later in the day, and two weeks later the buyout was announced.

Auxier said Buffett, through Debbie Bosanek, e-mailed him the following message: "I'm glad you gave me the book instead of a basketball or football. Tell your students they have finally established themselves as deal makers."

Wonderful message, but it was of course not accompanied by a finder's fee—at that time.

Before a talk at Tennessee's Fall 2003 MBA Symposium on October 14, 2003, Buffett did give the 40 students a finder's fee of sorts—one share of Berkshire Class B stock to each student. Also he gave Auxier a Class A share. (*KnoxNews.com*, October 15, 2003)

And Buffett awarded "honorary Ph.D.s in deal making from the University of Berkshire Hathaway," but dubbed the Ph.D. as a "phenomenally hardworking deal-making" diploma. (*Wall Street Journal*, November 14, 2003)

In 2004, the University of Tennessee's College of Business Administration released a video about Buffett and the Clayton story called: *Vintage Buffett: Warren*

Buffett Shares His Wealth.

Buffett said of the lengthy effort to buy Clayton: "I knew it would get done. We were just on the one-yard line for a long time."

He said he and Kevin Clayton frequently talk about acquisition opportunities within the manufactured home industry. "We're ready," Buffett said. "We haven't had an overdraft yet."

Senator Bill Frist of Tennessee gave an account of the whole episode of Berkshire's buyout of Clayton for Congress, saying there were two lessons to be learned. "The first is to be interested in other people. Mr. Buffett read the autobiography of a fellow businessman and was so impressed he ended up buying a company. The second lesson to be learned: make sure you always give a thoughtful thank you present [Clayton's book]. It's the right thing to do—and you never know where it may lead."



Hey, Al, This is Bill.

Buffett, Al Auxier and Bill Gates early in February 2002 at Kiewit Plaza. Gates was passing through on his way to a business meeting in New York. Auxier said Buffett told his students that people would short Berkshire if they knew how he spent his time, mainly reading in peace and quiet.