CHRISS W. STREET TREASURER-TAX COLLECTOR



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> ADMINISTRATION

MEMORANDUM

CHANGES IN ELIGIBILE CREDITS

In the month of January, there were five changes to the Treasurer's approved list of issuers.

The following was added to the approved list:

- 1. Berkshire Hathaway Inc.
- 2. Berkshire Hathaway Finance Corporation
- 3. NetJets Inc.
- 4. R.C. Willey Home Furnishings
- 5. XTRA LLC.

The following are Asset Backed Securities that the County holds as pass-thru notes from the restructuring of WhistleJacket.

OC Extended Fund B	Security	Maturity	Market	% of	ST Ratings, LT	
	Type	Date	Value	Fund	Ratings	
Serpentine Funding	US Notes	6/05/10	\$7,098,543.31		N/R	
Serpentine Funding	US Notes	6/05/10	5,579,162.79		N/R	
Serpentine Funding	US Notes	6/05/10	13,912,913.00		N/R	
Serpentine Funding	US Notes	6/05/10	5,646,056.25		N/R	
Serpentine Funding	US Notes	6/05/10	4,861,827.29		N/R	
			\$37,098,502.63	1.41%		

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BERKSHIRE HATHAWAY INC

Date: 01/13/2010

Analyst: Fahad Haider, Financial Analyst

Anh Tran, Financial Analyst Intern

Industry: Financial, Insurance (7.5)

Credit Ratings: A-1+/P-1 AAA *-/Aa2/AA+ *-

TIC Score T3

Add Issuers: Berkshire Hathaway Inc.

Berkshire Hathaway Finance Corporation

NetJets Inc.

R.C. Willey Home Furnishings

XTRA LLC.

Business Description

Berkshire Hathaway Inc. is a holding company engaged through subsidiaries in diversified businesses that fall into four broad sectors: insurance and reinsurance, utilities and energy, manufacturing, service and retailing, and finance and financial products. Berkshire also holds meaningful minority interest in several firms through its portfolio in (re)insurance subsidiaries and these (re)insurance subsidiaries contribute about half of the total net income.

The book value per share has grown on a yearly compounding basis of 20.3% from 1965 through 2008, versus 8.9% of S&P 500 Index.

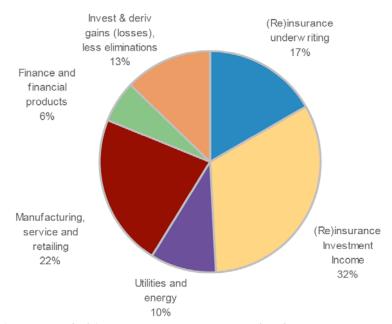


Figure: Berkshire Average Net Income by Sector 2004-2008 Average annual net income: \$9.0 billion. (Source: Moody's Report)



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Our Opinion

Strengths:

- Asset Quality
 - Investment mix held in Berkshire's insurance business includes 12% of cash and cash equivalents, 24% of fixed maturity security, 40% of equity securities and 24% of other investments.

♦ Profitability

- Diversified earnings
- Berkshire's strong and consistent operating cash flow suggests the subsidiaries' ability to generate cash.
- CFO/ net income ratio of 1.31

Leverage

- Low financial leverage ratio of 2.23
- Trailing 12-month CFO/ Total Debt ratio of 0.38
- Total notes payable and other borrowings were \$38.02 billion, or 13% of total assets, divided into three categories: \$19.56 billion in utilities and energy, \$14.64 billion in finance and financial products, and \$3.82 billion in (re)insurance and other business
- ♦ Liquidity and Capital Adequacy
 - Berkshire held \$26.9 billion of cash and equivalents. The firm intends to keep a minimum of \$10 billion in cash and equivalents.
 - EBIT/ Interest Expenses: 16.12
 - Berkshire enjoys earning investment income its insurance "float" of approximately \$62 billion. Last year, they earned \$2.8 billion on their \$58.5 billion of "float".

Challenges:

- Current economic condition has reduced the earning contribution of the manufacturing, retail and service group.
- The company's involvement in derivatives activities creates volatility in earnings.
- ◆ 3Q 2009 Gains on investment and derivatives were \$1.2 billion (1/3 of total net income), comparing with a loss of \$1 billion the same quarter of last year.

	Third Quarter		%	First Nine Months		%
	2009	2008	Change	2009	2008	Change
Insurance Group	1,339	890	50%	3,833	3,117	23%
Utilities & Energy (MidAmerican)	346	324	7%	802	848	-5%
Manufacturing, Service & Retailing (Marmon, McLane, Shaw &						
others)	336	665	-49%	833	1871	-55%
Finance & Financial Products	92	91	1%	252	397	-37%
Other	-58	99	-159%	-180	37	-586%
Investment & Derivatives	1,183	-1012	N/M	-541	-1393	N/M
	3,238	1,057	206%	4,999	4,877	3%



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New Developments

Berkshire agreed to acquire 77.4% of Burlington Northern Santa Fe Corporation (BNSF) for about \$26.4 billion of 60-40 cash-stock offer. To complete the transaction, Berkshire will acquire about \$10 billion of debt to be repaid over the next three year. Berkshire already owned 23% of BNSF's equity. The acquisition would reduce the company's liquidity in the short term but is expected to increase Berkshire's earnings and cash flow through further business diversification. On November 3, 2009, Berkshire's Board of Directors approved a 50-for-1 split of its class B stocks.

NRSRO's Opinion

Moody's 06/17/2009	S&P 12/31/2008
 Strengths Strong market presence in its principal (re)insurance business Extraordinary diversification and financial flexibility to absorb fluctuations in particular businesses Management's conservative operating and financial principles Strong balance sheet Weaknesses Potential earnings and capital volatility, especially in the insurance business Unusual large allocation to equity securities Berkshire's insurance operations assume large insurance risk Management succession of Mr. Buffett 	 Strengths Strong competitive position and balance sheet Sizable capital base Well diversified company with strong noninsurance businesses offsetting volatility in the insurance sector. The insurance operations maintain minimal debt Many of the noninsurance businesses are leaders in their industries. Weaknesses Earning volatilities in the insurance operations, especially NICO's catastrophe insurance

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OFFICE OF THE TREASURER-TAX COLLECTOR

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