ANNUAL MEETING ROUNDUP
SEQUOIA, WESCO & WINDSOR
(cont'd from preceding page)

times was selling Cap Cities.... Each time, I was very happy with the result....

It worked out very well each time. It got up to what I thought was a fairly full price — and I sold it.

Then, when they made the deal with ABC, we took another careful look at it. And we went back into it about five years ago on the premise that it was going to be a real good acquisition — and it was. At the time, they were earning about $11. Last year, they earned over $30 if you add back in goodwill amortization.

They've done a marvelous job with the ABC operation. And they've increased the earnings of the television stations and the network dramatically. They thought the network was earning money when they bought it. Well, it turned out that it wasn't. Last year, I think they earned $230 million.

...They're terrific — just absolutely terrific. Incidentally, they're repurchasing shares from time to time.

Are the autos a fat pitch?

Ruane: First of all, I don't think that the autos are a fat pitch. I think they're a curve.

When we find a truly wonderful business, we grab it.

But the universe of what we can look at is narrowing for all of the reasons Bob [Goldfarb] mentioned. On the other hand, I think that if you do find that rare animal that meets our criteria and does have high predictability, the arithmetic does lead one to pay up for it.

And I do think The Limited is in that category, although I wouldn't say that it's perfect. Of course, nothing's perfect. We made a judgement that we should buy a lot of it at a certain price. And for weeks, we did.

We didn't pay less than 10 times earnings at any time. We did pay up — although we did limit the premium price that we'd pay. We are not, for example, buying The Limited at 20-25 times earnings.

But truly wonderful businesses with high returns and the ability to reinvest their capital at a similar rate of return are worth a higher level of P/E than we ever paid before.

Before, we were just handed it. Now, the job of determining predictability is much tougher.

We try not to pay attention to the market, just what we own.

Ruane: That fellow Noel has to be very smart. He said in *Outstanding Investor Digest* that he didn't care what the market was doing. He owned Freddie Mac, Wells Fargo and 20th Century. And even though the market was selling at 17 times earnings, his Freddie was selling at only 7 times earnings —so why should he worry about the stock market? If Freddie only sold at a market multiple, it would be much higher — and the same for Wells Fargo and 20th Century.

Freddie's our largest holding on that very same theory. Mr. Brendsel, who's the head of the company, recently confirmed that $9 was a fairly good estimate for Freddie's earnings this year.

But Freddie Mac is not without its risk....

Ruane: However, I'm not trying to sell it to anyone. Having watched what the market can do, we keep reminding ourselves that we're in it for the long term — because prices can go all over the place in the short run.

And problems can arise in a business like that. If things got bad enough and home prices fell considerably, Freddie would be like an earthquake insurer following a major earthquake.

We wish we could find eight Freddies.

Ruane: But we look for businesses with a franchise in their special niche. And Freddie Mac certainly has one.

Freddie and FNMA buy almost all of the mortgages that are available because they have a financing edge. Because of their size and quasi-governmental authority, they can borrow money at a rate more like the government. Their competitors can't. So they can insure mortgages at a lower rate.

Its return on equity was over 20% last year. Except for the one charge they took, it would have been around 25%. And it's been growing like mad.

So I don't know what the market's going to do, but I wish I had eight of these things in different fields. If I had eight of them, I'd be fully invested — if the rules for diversification in Sequoia would permit us to....

I'm not prescient. And I proved it last fall.

Ruane: As a non-diversified fund, Sequoia is able to concentrate significantly, but not as much as I'd like. So last fall, when it looked like we would have an opportunity to buy a lot of new things, I wanted to make room for them in Sequoia.

We're allowed to invest a maximum of 50% in stocks that have more than a 5% total — and up to 25% in any single stock. And I thought if the market kept falling, that we were going to need some room. I had Freddie Mac in mind and The Limited.

So rather than wait until I had to do it, I brought Glatfelter down to a 5% position. It's a wonderful company, but I did it. And we were ready to load up on other stuff. We weren't permitted to buy more Freddie Mac — and the market took off, Glatfelter along with it. Fortunately, we still have a pile of Glatfelter. And it's back above 5%.

Incidentally, the limitations we have on concentration can't be loosened any further since they're the levels required to qualify as a regulated investment company.

Our job is simple. We try to keep it that way.

Ruane: We try to just deal with what we know for sure. I know for sure that things aren't that good right now. But I also know that things will grow — in time. There'll be some point in the future when we're not in a recession and when things will be better.

Our job is to find securities at the right price. And it doesn't have much to do with whether business is good or bad. It's whether there's fear in the market or enthusiasm.

And right now, there's a lot of enthusiasm out there.

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WESCO FINANCIAL'S CHARLIE MUNGER "MORE MONEY THAN BRILLIANT IDEAS, BUT THERE ARE WORSE FATES, AFTER ALL."

Best known in his role as straight man to Buffett at Berkshire's annual meeting each year (this year's coverage begins pg. 1), Charlie Munger is an accomplished investor and businessman and in his own right. And although he worked in the Buffett family grocery store as a youth, he and Buffett didn't meet until years later after Munger had founded a successful L.A. law firm.

Encouraged by Buffett to give up law and start his own investment partnership, Munger earned a compound return of 19.8% per year before fees from 1962 to 1975 — nearly 4 times that of the S&P 500 for the same period.

Buffett says that he and Munger are interchangeable – what he says nearly always goes for Charlie and vice versa. He also credits Munger with opening his eyes to the virtues of investing in excellent businesses and with giving the best 30-second opinions in the world.

In the past, those opinions have included warnings about the S&L crisis *before* it was widely recognized, ongoing folly on Wall Street and insights about investing, business and life. We hope you enjoy the following excerpts from Munger's responses to shareholder questions at his latest Wesco annual meeting. As always, we recommend them for their humor and their uncommon common sense:

Where there's dry powder, there's a way.

Munger: Well, I suppose there's always hope that something good will happen — if you have a lot of liquid assets and some other assets which are quite good and a fair amount of flexibility.

The problem around here at the moment is that we have more money than we have brilliant ideas. But there are worse problems than that.

We do not have any marvelous things going for us at the moment, but we didn't have any marvelous things going for us and along came the opportunity to buy that big block of Freddie Mac. So we now have many tens of millions of dollars of unrealized appreciation there.

My colleague, Warren Buffett, said that the nice thing about a business where you have a lot of assets that you have the power to shift around is that there are no called strikes. They don't say you've had your time at bat. You can just wait for the pitch that you want. Being in that position has helped us in the past and it may help us again. But we certainly have no wonderful things in progress that are creating great momentum in the stock.

On the other hand, we have nothing like many of the banks and savings and loans have ... [on the negative side]. They're in a very sticky situation.

Will the woes of others lead to opportunities for Wesco?

Munger: We certainly hope so — if we hang in there long enough. If the [insurance] industry continues raising its rates 3% a year when its losses are going up 10% a year, you'd think that eventually there would be some unholy suffering. And if there's enough unholy suffering, why you'd think that prices would change and opportunities would come along.

We do not like the current situation. But we have a marvelous capacity to write insurance when [it changes]....

On learning there was an error in this year's annual report.

Munger: Bravo to the fellow who found our embarrassment.

I recently met Johnson and Johnson's CEO for the very first time. He struck me as a marvelous fellow. He told me about their acquisition techniques. They have management meetings where they conduct postmortems on acquisitions for a full five years after they've made them — what they thought at the time and how well they worked out or didn't work out. And the officers who proposed that the acquisition be made are present and have their noses rubbed in it or take their bows.

That is a marvelous system. The idea of rubbing one's nose on purpose is very good for civilization. Many people go to great lengths to avoid it. But they welcome it at Johnson and Johnson. It's a marvelous thing to remember and learn from your dumb mistakes.

Our views on debt:

Munger: In terms of our own affairs, our company has had very low levels of debt and very high levels of cash flow. So our own style has been not to use heavy debt and that style has allowed us to do pretty well....

It's really crazy if you're very comfortable and secure to leverage. The incremental value of getting a little extra return is not that great.... I have a friend who says, "I've been to 'go'. And I never want to go back there."

We're quite cautious by nature — way too cautious. If our ambition had been to create the best financial record that's ever been created, then we would have used a lot more leverage. But personally, we don't do that....

Now what opinion do we have on whether the rest of the country is too leveraged? That's a big issue. And I am personally skeptical of goosing the economy with increasing amounts of consumer credit under terms where significant fractions of the populace are behaving just like so many alcoholics — they're right up to their credit card limit every month. That does not strike me as a wonderful way to have a civilization function.

I know that the Japanese and the Germans who didn't do it had a better performing economic system than we did. So I am quite skeptical.

...The business of turning so many corporations into piles of super-leveraged junk ... is socially irresponsible. I don't think the laws of the nation should permit it. And the people who created it ought to be ashamed of themselves.

Consumer credit's like alcohol. Many just can't handle it.

Munger: You obviously need a system that allows personal bankruptcy. When you have a system of shrewd credit solicitation at 20% interest rates by very skillful and manipulative people, it's like introducing a lot of people to

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drink. About 10% will become alcoholics.

If you introduce people to credit on the American scale, maybe 15% or 20% of them will mishandle the credit to their disadvantage. It seems entirely appropriate that the people who are doing that and getting very high interest rates should not be able to hound people to death forever — and that people should have a right to go bankrupt and start over.

So in terms of personal bankruptcies, I think that the system is quite appropriate. And I think it's reasonably efficient. The people extending consumer credit are big boys — and they can handle it.

But it's very bad in Florida where many major crooks go and buy a $3 million house because of their homestead law. Florida's become a haven for crooks who've stolen a lot of money and want to keep part of it....

Our corporate bankruptcy system is an unwieldy disgrace.

Munger: However, I think the system is horribly defective on the other side where a capitalization is created where a bank loan is syndicated to 120 different banks and six layers of debt with various degrees of seniority and subordination and maybe two classes of stock.

If you leverage some ordinary business to the gills, you know that you'll wind up with a high percentage of very distressed businesses that can't pay. And the complex balkanized capitalizations assure that you've created something that can't be fixed at any reasonable cost.

By the time it goes blooey, a third of the banks hate the banks that got them into it and won't agree to anything because they dropped a bundle in the loan syndicated to them by the selling bank. And the bondholders are in groups with little screaming lawyers and agents and so forth. And they're all maneuvering. And there are creditor's committees.

It's a perfectly ridiculous system for fixing a social institution in distress. The complex, super-leveraged capitalizations should never have been allowed....

The capitalizations which our financial promoters and investment bankers [have foisted upon] us with their highly balkanized responsibilities is as though every car in America was made so that the first time anything went wrong with it, you couldn't repair it without totally taking it

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apart and hiring 27 lawyers to come in. It would be a very irresponsible way to make cars.

We have a perfectly disgraceful system that makes corporate bankruptcies expensive and miserable and pays the wrong people large sums of money. They get so miserable that the institutions that hold various classes of paper go along with reorganizations where no big improvement is made. They just paper it over for another year or two.

We have a perfectly obscene system of corporate capitalization. And the bankruptcy system and the way that trust indentures are written make it very hard to fix things at a rational social cost. It's a mess.

Wells Fargo — there's a lot to like.

Munger: As Warren says in this year's letter to shareholders, Wells Fargo is a very shrewdly managed institution. And in addition..., it has a wonderful, efficient branch system and a wonderful state.

It accumulates deposits at quite a conservative price. In that respect, it's sort of like the Bank of America — which also has a marvelous branch system for accumulating deposits at a conservative price. If you look at the actual average interest rate paid on deposits at Wells Fargo compared to the average interest rate paid by Citicorp or Chase or Chemical Bank, you will find that they have a large advantage. In fact, even after taking into account the cost of running branches, they have a large advantage.

In addition, the branches create a certain amount of highly desirable consumer business which after all losses will produce substantial interest rates. So they have a lot going for them in terms of a basic business position.

Add that to the very intelligent, honorable management which is quite tough about costs and you get a situation where if the crunch is not god awful — if it's merely painful — you've got a marvelous business that has the potential for bouncing back and making a lot of money.

And you bought it at a very conservative price — assuming the scenario is temporary suffering and then recovery. And that seems quite likely to us. Warren says that if they lost a billion dollars, for example, it would not be that big a deal considering the price that we paid for it. It would be a fairly minor blip.

And it may never get that bad. For all I know, the worst may be behind us. We just don't have a feeling for how deep the troubles are. It's just a calculated venture capital kind of risk. There's some potential we'll be holding that stock forever.

It's a different kind of investment than Coca-Cola, where, at the price we paid, you really can't lose if you hold it long enough. Wells Fargo has some potential for loss, but it's more than compensated for by the interesting upside potential. And we love being in business with the executive.

We look less at asset quality, more at management quality.

Munger: Our experience has been that if you work at Wells Fargo and your job is to judge loan quality, you'd be amazed at what surprises you get. There are some things in predicting the future where due diligence doesn't help.

We have a finite amount of time. And we have to decide how much to do by careful checking and how much

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to do by rough judgment. And we've developed a style over the years. Our style has worked pretty well. And we just continue to use it.

I don't know of a single bank stock purchase that has been made by running around and looking at every loan. The chore involved there would be unbelievable. To some extent, you're judging those things indirectly by the way that people think, where they came from and the culture they came out of.

Wells Fargo was way tougher than other people about facing the music on the less developed country loans. They wrote them all off at an unholy rate of speed. And if you ask bankers why they made the loans, every other one said, "Oh, the government made me do it."

They all had some excuse. Carl Reichardt just said it was a very dumb thing. And he stopped doing it. Well, that's our kind of a fellow. We've had wonderful experience with people who think that way....

Hidden assets at Wells — the management & the state.

Munger: Neither Wesco nor Berkshire has ever made any pretexts of being a macroeconomic forecaster. We don't know how deep the real estate crunch will be and how badly the banks are going to be hit. That's not our bag.

We just think that there are obviously possibilities that it could be less severe in California than many people anticipate. There are also possibilities it could be greater.

In commercial real estate — in office buildings and hotels — you have blood running in the streets. The little strip retail stuff is a little sick, but [not as bad]. Hotels and office buildings are really something else. They're not for anyone with a queasy stomach. Yet there are individual projects that are okay and individual developers whose guarantees will be good.

Wells Fargo and its officers grew up in real estate lending. A friend of mine, who is a banker in another bank, recounted about himself, he said, "I know all of the tricks and most of the tricksters." That experience is very helpful.

...People at the top of Wells Fargo grew up in a tough, shrewd culture — Los Angeles' old Union Bank. It's been a blessing that they were educated in a hard school when they were young and impressionable. My guess is that they will, therefore, get in a little less trouble than other people and get out of it a little better.

My guess is that California will have smaller troubles than other places because of the constant net inmigration. This makes it different when you're talking about real estate — whether you have a place like California with constant net inmigration or a place like New England with net out-migration. You may take terrible losses, but the inmigration may cause an eventual bounce back if you can survive through it....

Any more unpleasant surprises at Freddie Mac?

Munger: You never know in a big financial institution. As I said before, it's a very intelligent, honorable bunch of people now running Freddie Mac. But we regard ourselves as intelligent and honorable. And every once in a while, we get an awful surprise.

I think we have to assume in any financial institution with a lot of leverage that you'll occasionally get a surprise — even if you're right on top of things....

The trick is whether you act on them when the surprise starts. All over America, you've got people hiding their problems and papering them over with accounting tricks when they start to arise. That is not our style around here. We like to address them.

Freddie Mac did a good job of addressing the problem. They took a hit to their earnings and they changed their procedures to stop troubles of the same type from coming in. It's a marvelous business that they operate — a way better business than we have at the savings and loan. That's why we own the stock.

Don't Freddie Mac's high returns require high leverage?

Munger: If you earn a high return on equity and keep doing it year after year after year, it doesn't make much difference how you did it. One man may do it with a patent, another by a trademark, another by some critical mass effect and another may do it by shrewdly using leverage and never being caught by big losses. It doesn't much matter how you do it if you continue to get high returns on equity.

Why they didn't buy more Freddie Mac.

Munger: That's one we will not comment on per our standard policy. But we don't claim to be omniscient.

Occasionally, some wonderful thing comes along that we understand and do. What matters is what you *do* do, not what you *don't* do. We happen to do a few things right.

We also fail to do a lot of other things which would have been right. But so what? We find it very hard to be right with a lot of confidence on more than a few things.

A lot of institutions get into terrible trouble trying to be omniscient. They think if they create 27 departments and require each to be omniscient in its field, that it makes the whole collective enterprise omniscient across all 27 fields.

We regard that as madness. We hope to have important pieces of foresight relatively infrequently.

Do you regret losing out on the Bank of New England?

Munger: Yes, I do. I would have preferred that it had gone the other way.

I think there are way too many banks in this country. As I said in my letter, I'm all for the FDIC selling assets of insolvent banks to another local bank — if there is a sound one — instead of an out-of-state bank. I think doing otherwise will wind up costing the FDIC a lot of money.

You can put me down as skeptical that the buyer chosen will cost less. I do think that the KKR people are very intelligent and very tough minded. But I would have chosen a different home if I had been the FDIC....

Even Ben Graham had blind spots.

Munger: Part of Graham's "Security Analysis" can't be outdated. But we've all learned more in the decades since it was published.

The basic concept of value to a private owner and being motivated when you're buying and selling securities by reference to intrinsic value instead of price momentum —

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I don't think that will ever be outdated.

But Ben Graham had blind spots. He had too low of an appreciation of the fact that some businesses were worth paying big premiums for.

In a creditable footnote to one edition of *The Intelligent Investor*, he sheepishly said that he'd practiced this one value system for a long time and achieved a very respectable record doing it, but he got rich in a hurry by buying one growth stock investment. It amused him that half or more of his fortune came to him from one investment.

Graham was insufficiently aware of the possibility that a company could prove a great holding for a long time — even when it sold at a large multiple of book value. Look at Coca-Cola stock. It has a very minor book value compared to its current price.

You will notice that we're not following classic Graham and Dodd to the last detail as it was in Ben Graham's mind.

Henry Singleton lost his touch. What about you & Buffett?

Munger: That's a very intelligent question. Singleton was a genius. ...Why that collection of businesses outearned General Electric year after year was a ... miracle.

But ... miracles have a way of running out. Businesses have vicissitudes and technical difficulties. My guess is that a lot of it would have happened no matter who ran the businesses. The trouble there was not that Henry Singleton grew old. It's that some of those businesses' franchises got cold.

Well, it'll be a long time before Coca Cola's franchise grows cold. In some respects, our franchises are better than Singleton's. But we didn't get the returns that he did. He was earning 50% on capital — or more — per annum year after year. That was a miracle. But again, miracles have a way of ending.

It took us a long time to learn....

Munger: Both Warren and I sometimes wonder what would have happened if we'd started in better businesses instead of trading stamps, aluminum, textile companies — we even had a windmill company at one time.

It took us a long time to wise up.

—OID

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WINDSOR FUND'S JOHN NEFF
"THE MARKET'S A LITTLE TOO HAPPY.
EXCEPT FOR FINANCIAL INTERMEDIARIES."

Prior to John Neff's arrival in 19641, Windsor Fund was a consistent laggard, having trailed the S&P 500 every year since its inception in 1959. Since then, Windsor has outpaced the index in 18 of 26 years earning a compound return of 13.1% per year vs. 9.9% per year for the S&P 500.

Neff's accomplishments have apparently not gone unnoticed by his peers. He reportedly is the manager most often chosen by his peers to manage their own money in a poll in *Institutional Investor*.

Too much enthusiasm is reflected in stock prices.

Neff: We aren't too proud of our accomplishments in 1990. But we think it's more the marketplace than us — which is arrogant, I suppose....

We've played it a little close to the vest in Gemini — and, for that matter, Windsor. The marketplace seems a bit too happy for us.

This year, S&P earnings might be $22 or thereabouts. And that might even be a pushy number — although we think the economy will be a little better than the consensus.

We find it somewhat discouraging how the consensus is coming around to our view of the economy. We don't wear it on our sleeves being contrarians or prickers of conventional wisdom. But on that $22, the S&P at 381 is at about 17.3 times earnings. That's plenty by our standards.

Keeping an eye on the upside and the downside too.

Neff: Even though we run an equity fund and have an obligation for appreciation to the shareholders, there are a lot of ways to skin a cat.

We're only 11% in cash. This is a leveraged fund. And we don't lose complete consciousness of that. But with 58% in common, 13% in convertibles, 5% in junk bonds, 11% in intermediate term governments, it's kind of a potpourri.

We're conscious not only of the upside — and it may sound funny after 1990... — but the downside as well.

One certainty in an uncertain world....

Neff: We're a bit discouraged that the marketplace doesn't give us a little more of our due. Shares of Gemini Capital are selling at $12-1/2 vs. a net asset value of $15.96. That's a 21-1/2% discount — which is a tremendous discount, particularly in an uncertain world where the one thing we can guarantee you is that in less than six years this animal's going to be at net asset value.

So you've got a big discount, an undervalued portfolio, obviously presumptuous of me to say and our management, which hasn't been bad over the years. Some managers sell at premiums — like Buffett. And you've got leverage....

Why in the hell is it at that big of a discount? If the market is so efficient, why doesn't it know this?

Well, I don't know. I've tried my best. I flog it unmercifully on *Barron's* Roundtable. I mention it in talks. I even suggested in the annual report a couple of years ago

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that you tell your friends. Apparently you didn't tell your friends....

It won't make any difference if you keep it until February 1997, because it will be selling at net asset value. Effectively, that's something like 2-1/2% to 3% a year. That's pretty good extra return, isn't it?

But if you're forced to make an involuntary conversion between hither and yon, you hate like to hell to make it at a 21-1/2% discount.

High yields = additional returns & less downside ... for free.

Neff: Some would say that in an efficient market, stocks with high dividend yields should sell at lower P/Es. My rejoinder is that not all stocks have good yields — and that the income is free.

And I think I've proven it to some degree at Windsor over the years — because it's always had a pretty good yield. And it not only gives you additional return, but it's free. And it also gives you some degree of downside insurance. So it's a big plus.

And you don't pay anything for it. In other words, a 15% grower with a 1% yield will sell for maybe 20 times earnings and an 8% grower with a 7% yield will sell for maybe 8 times earnings. And yet the total return of each is pretty much the same. I don't buy that.

Financial intermediaries most maligned & most attractive.

Neff: About half our equities are in financial intermediaries. We think that's the most attractive part of the marketplace — much maligned. We still think that we have our neck out a bit in measuring up on CitiCorp. But as you look across the phalanx of Cigna, Aetna, BankAmerica, Banker's Trust, Great Western Finance, Ahmanson, Standard Federal and Washington Fed — which are our big holdings — they pass the test by our standards and increasingly by the standards of the marketplace.

We think that the market's been a little irrational with financial intermediaries and is now beginning to be a little more rational.

BankAmerica up a lot already and still cheap.

Neff: We bought BankAmerica last year. The stock was as low as $18 in October. Unfortunately, we didn't buy it at $18, but we built a major position at $22. It's vaulted to $37. That's not bad appreciation to date. And it now sells at about 7 times earnings in a marketplace that averages 17 times earnings.

This isn't the BankAmerica of three or four years ago. It doesn't have big commercial real estate exposure, as this area — including construction loans — is only 12% of loans.

And part of that is their building in San Francisco and Seattle. Part of it is really not a commercial real estate loan, but a small business loan which has put up its real estate as collateral for commercial loans.

About half of its construction loans are single family homes in California.... But California is not going to slide into the Pacific Ocean. We think, if anything, the single-family market's bottomed out and that we're home reasonably free there.

California does have 7% unemployment. And homes are expensive there, although they're expensive [primarily] in the coastal regions — San Francisco, L.A., San Diego. You get into the interior — Sacramento and some of those areas — and homes are priced like those in other areas of the country, maybe $115,000 rather than the $200,000 or so that they cost in the coastal regions.

But the financial intermediaries that have capital, that generate capital, that have advanced technology and have the economies of size stand to benefit. IBM turns out something like 33% more megabytes each year ... to its customers. And among those who capitalize on that are the financial intermediaries — which is oftentimes overlooked.

So we think that we've got the winners — the good guys there.

The cyclicals will persevere — eventually.

Neff: Another 20-odd percent of our equities would be in basic commodity cyclicals. Obviously, some of those will not show very good first quarters. Some will actually — Phelps Dodge and the Lyondells and the Alcoas had pretty representative first quarters. On the other hand, Alcan was a little bit in the red. But we think that these areas will eventually persevere.

PORTFOLIO REPORTS estimates the following were Windsor Fund's largest equity purchases during the quarter ended 3/31/91:

1. USX CORP
2. BURLINGTON RES INC
3. AETNA LIFE & CASUALTY CO
4. KAUFMAN & BROAD HOME CORP
5. BANKAMERICA CORP
6. MBNA CORP
7. AHMANSON H F & CO
8. FIRST INTERSTATE BANCORP
9. AKZO NV ADR
10. CABOT OIL & GAS CORP

We think pessimism about Chrysler is way, way overdone.

Neff: Chrysler cost $25 and is at $13-3/4. We don't look so super there. But maybe, around the corner, we may have some encourgement for you.

Freeman: We think there's a better story than the market wants to give it credit for in the stock price. That includes a good next generation management team.

It also includes a lot of new product flow over the next two or three years. I guess we're about a year away from a new jeep. We're maybe 14 or 15 months away from a very important new car — the "H" Series — a Taurus-type car that we've seen. We're enthused about it. So far, it looks very interesting.

And Chrysler's done a very good job on costs — which was manifested in the fourth quarter when they broke even while both Ford and GM lost a lot of money. And they've

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