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|  | e - NEWS |
| *July 23, 2004* | |

**E X T R A**

1. [Coors Investors May Not Want To Mix Drinks](#First)

2. [Ian Molson May Thwart Coors Deal](#Second)

3. [Sports Column, Joe's Up for Sale](#Third)

4. [French Winemakers Gather For Crisis Meeting On Bumper Harvest](#Fourth)

**1. Coors Investors May Not Want To Mix Drinks**

By Christopher Lawton, Staff Reporter – *The Wall Street Journal*

July 20, 2004

**As 'Advanced' Merger Talks With Molson Are Confirmed,** **Stock May Already Be Overpriced.**

Adolph Coors Co.'s stock price has been looking a little heady lately. And if merger discussions with Canada's Molson Inc. come to fruition, Coors investors may be in for a hangover.

Late yesterday, the two beer companies confirmed that they were in advanced discussions about a possible "merger of equals." Before the announcement, investors had shown their enthusiasm by pushing Adolph Coors's stock price up by as much as 9%. But buyers may be getting ahead of themselves.

According to a detailed joint statement by the companies, under the terms being discussed, Eric Molson, Molson's current chairman, would be chairman of the combined company. Leo Kiely, currently chief executive officer of Coors, would be CEO, and Molson's chief executive, Daniel O'Neill, would be vice chairman of the merged entity. The companies said an announcement "could be made in the near future."

This sort of deal might be good for the family shareholders of both companies, who are likely to emerge from a deal retaining significant control of the new company. But it may not be the best potential deal for Coors public shareholders. While a deal with Molson is positive for Coors holders -- since they get a leading Canadian brewer without paying a premium -- many investors in Coors would prefer an outright sale of the company for a large premium.

Since Coors and Molson each have a market capitalization of about $3 billion, such a so-called merger of equals means there would be little or no premium for either company.

In 4 p.m. trading on the New York Stock Exchange, shares of Coors were up $2.54, or 3.5%, to $75.56 apiece. On the Toronto Stock Exchange, Molson's stock closed at 33.45 Canadian dollars (US$25.55), up 85 cents.

Analysts have other objections to a Molson deal. They say it wouldn't do much to address Coors's struggles in the U.S. market. Since Coors already distributes Molson products in the U.S., a merged entity wouldn't have any more scale to compete with beer giants such as Anheuser-Busch Cos.

On the bright side, analysts say, is the possibility that a Molson-Coors deal could bring other buyers for Coors out of the woodwork. "While a merger doesn't bring about any real solutions, it will bring in potential bidders," says Bear Stearns stock analyst Carlos Laboy, who rates the stock as neutral. He estimates Coors shares would be valued at $105 or more in a full-blown auction.

Others aren't so sure that there is more upside to the stock. Coors stock has run up about 35% since the start of this year, and many investors think the stock is overpriced already. "I wouldn't buy it here, because there is more downside than upside," said Becky Wilcox, a research analyst for Freestone Capital Management of Seattle, which last April sold its entire stake of roughly 185,000 Coors shares at a price of $69.25 a share. Ms. Wilcox says she thought Coors stock was fairly valued at that point. Yesterday, Goldman Sachs noted "there is a good chance that the market has overshot the fair price on the upside." Goldman put a fair price of $74 on the stock.

The merger discussions come as beer-industry consolidation is intensifying. Global brewers are reacting to slowing growth in major markets by expanding in developing markets such as Latin America and China. Anheuser-Busch, for instance, recently bought a Chinese regional brewer, Harbin Brewery Group Ltd., in an effort to cement its presence in that fast-growing market. In that context, a Molson-Coors combination wouldn't move the needle when compared with really big global rivals.

As the third-largest brewer in the U.S., with a roughly 11% market share, Coors is facing some challenges to its U.S. beer business. Its flagship Coors Light brand, which accounts for three-quarters of its U.S. volume, has been struggling to retain market share. The brand slipped 2% by volume in 2003, according to Beer Marketer's Insights. In addition, analysts say Coors's recent addition to the market, low carbohydrate Aspen Edge, is also struggling.

In addition, the cost of doing business in the U.S. has increased considerably. Miller Brewing Co., a unit of SABMiller PLC, has managed to turn around its flagship Miller Lite by touting its lower carbohydrates. As a result, Anheuser-Busch and Miller have been engaged in a marketing battle over their flagship light beers. While Coors has been successful at cutting costs in its business, its general costs have increased, says analyst Bryan Spillane of Banc of America Securities, who has a neutral rating on the stock.

Despite the weakness, the brewery has lately reported stronger quarterly earnings, driven by cost-cutting measures in its U.S. operations and steps it has taken in its United Kingdom beer business, which has benefited from the weak U.S. dollar. That profit growth is partly what accounted for Coors's stock surge this year.

On top of challenges facing Coors, there are questions about the Coors family's long-term commitment to operating the business. Coors Chairman Pete Coors is running for the U.S. Senate, a move interpreted by some as putting a "for sale" sign on the company's front door. Coors is searching for a domestic president, as Mr. Kiely, the company's first nonfamily chief executive, is trying to run both Coors's domestic business and its U.K. operations. People close to the company say the family isn't committed to operating the business independently forever. Most members of the next generation are younger than Mr. Coors and don't have the experience or stature to serve as a chairman of Coors.

Aside from Molson, plenty of brewers would likely be interested in Coors, including Heineken NV and SABMiller, which is long thought to be interested but may face antitrust hurdles. Analysts say a Heineken-Coors deal would give Heineken a premium brand in the U.S., and add volume to its portfolio in the U.S., giving it greater attention from its U.S. wholesalers. However, analysts add that Coors is still a high-cost producer. There also aren't any production synergies between the two, because Heineken is brewed in Holland. And analysts say global brewers would probably be discouraged by the idea of going head to head against Anheuser-Busch, which has roughly a 50% share of the U.S. market.

Some in the industry believe a Molson deal would be good for Coors. Molson has a dominant position in Canada and its cash flow could strengthen the combined company. It also would diversify Coors's profit base away from the U.S. That could help Coors expand in overseas markets with further volume and profit growth potential. Coors recently acquired the Carling business in the U.K. This is "more of a long-term survival approach -- the need to become bigger to be able to combat brewers which have larger economies of scale," says Andrew Conway, an analyst with Credit Suisse First Boston who has a neutral rating on Coors stock.



**2. Ian Molson May Thwart Coors Deal**

Source: *The Wall Street Journal*

July 22, 2004; Page A3

**A $4 Billion Bid Is Expected, Sparking a Takeover Fight; Family Feud Escalates**

Ian Molson is expected to make an offer of as much as $4 billion to acquire Canadian brewer Molson Inc., potentially thwarting a merger agreement between Molson Inc. and Adolph Coors Co., according to people close to the situation.

The move sets the stage for a possible takeover battle for the company and escalates a family feud between Ian and his cousin Eric Molson, who is the chairman of Molson and who has supported the Coors deal.

Ian Molson couldn't be reached for comment last night. Representatives of Molson and Coors also couldn't be reached for comment late last night.

Ian Molson is expected to make the formal offer, involving a group of financiers and possibly a corporate partner, within the next day or so, according to people familiar with the situation.

According to people familiar with the situation, the group's offer is valued at between $3.8 billion and $4 billion. The deal would value the stock at around 40 Canadian dollars (about US$30) a share, creating a premium of more than 30% from the company's share price before the news of the Coors deal started leaking to the market, according to people familiar with the offer. Under the Coors deal, which is a merger of equals, the companies are each valued at about US$3 billion.

"The Molson board would be irresponsible to not consider Ian's offer," one person close to the situation said.

Of course, Ian Molson's offer may come too late and may appear to be too far-fetched for many shareholders.

The broad outlines of the anticipated offer were made in the form of a letter sent to the board in recent days, according to people familiar with the situation. The letter said the Coors deal wasn't in the best interests of Molson shareholders, and it urged the board to reject the deal. It's unclear whether the company responded to the letter.

Molson and Coors were expected to announce their agreement today, but it isn't clear how Ian Molson's offer will affect the announcement. The Molson and Coors deal, designed to create a single North American beer giant in the face of a rapidly consolidating industry, is structured as a merger of equals. Shareholders of Coors and Molson wouldn't get a premium under that offer, and the deal would leave the Coors and Molson families with substantial control over the combined company.

The expected offer from Ian Molson, according to people close to the situation, has financial backing from a major Canadian financier and several global financial firms. The group may also get support from another major beer company, whose identity remains unknown.

Ian Molson's offer marks a bold bet on a company that's been racked by troubles recently. While sharing control of the Canadian beer market with competitor Labatt's, a unit of Belgium's Interbrew SA, Molson has struggled to expand abroad and has suffered a wave of board defections. Its acquisition of a major brewer in Brazil has turned into a big money-loser, and its business in the U.S. continues to suffer.

Adding to the troubles is a clash between Eric and Ian Molson -- two cousins from opposing sides of the venerated Molson family, which founded the company. Ian Molson, 49 years old, the former deputy chairman and main architect of the company's recent turnaround, resigned from the board in May, citing disagreements with Eric Molson. Eric Molson, 66, a shy brewmaster who has been the company's chairman since the 1980s, felt threatened by Ian's increasing power at the company and his ties to many of the company's big shareholders. Ian, a hard-charging former investment banker, has been busy stoking a shareholder revolt since he severed ties with the company in May.

The battle between the two men touched off a wave of resignations from the board and caused a rift among other members of the Molson family. Five board members didn't stand for re-election at the company's board meeting in June, including Ian. While Ian Molson has the support of many institutional shareholders and family members, Eric Molson controls the company's votes. Eric Molson, together with some other family members, controls more than 54% of the voting shares, while Ian Molson controls 10%.

A shareholder agreement between the two cousins, reached years ago, states that neither can sell or transfer shares without the approval of the other. While Eric Molson told colleagues in recent days that he had found legal ways around the agreement, Ian Molson planned to use the agreement to try to block the deal, according to people close to the situation.

Shares in Molson have risen steadily in recent days as shareholders hope for a rival offer for the company. At 4 p.m. Wednesday, Coors was down $1.77 to $74.73 in New York Stock Exchange composite trading, and in Toronto, Molson ended down 30 Canadian cents at C$34.70.

Ian Molson's offer could generate strong support from Molson family members, many of whom have said privately that they want to keep the business entirely in the family. It would also appeal to Canada, which hopes to maintain one of its corporate pride and joys as a fully Canadian company. Molson is North America's oldest brewer and a high-profile piece of Canadian culture.

Ian Molson is likely to have strong support from a large segment of the company's shareholders, who have expressed disappointment at the Coors deal, which offers no premium.



**3. Sports Column, Joe's Up for Sale**

By Vanessa Miller – *Iowa City Press-Citizen*

July 22, 2004

IOWA CITY, IA -- Known by locals as simply "The Column" and "Joe's," two of Iowa City's oldest bars have been put up for sale, adding to the ever-growing list of alcohol-serving venues changing hands this summer.

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| What's next  • The Alcohol and Bar Committee has completed a report of the city’s first year with a bar-entry age law, and will host a meeting at 1 p.m. Monday in the conference room at the Iowa City/Johnson County Senior Center, 28 S. Linn St., to discuss its findings.  • Anyone interested in buying The Sports Column or Joe’s Place can contact Gerry Ambrose at 631-8888 or Dave Biancuzzo at 631-4232. |

Businessman Don Stalk-fleet opened The Sports Column, 12 S. Dubuque St., in 1984 and bought Joe's Place, 115 Iowa Ave., about five years ago. Joe's Place has been in its present location since the 1940s. Stalkfleet said Wednesday he is selling the establishments to allow him more family time.

"After 21 years in business, it's time for me to retire - it's time for me to be a dad," said the 51-year-old Iowa City resident, adding that Gerry Ambrose and Dave Biancuzzo with Prudential Partners Real Estate began marketing the two properties Monday. Stalkfleet said that because he has no buyers at this time, the sales are not guaranteed. "Nothing is set in stone. But I have a 7-year-old and two 8-month-olds, and money is not as important when you get older."

Stalkfleet and his wife, Michelle, 7-year-old son Sam, and infant twins, Aaron and Heidi, live in Iowa City and have no plans to move, he said. He also owns the Sports Column in Denver, Colo., and said he does not intend to sell that venue in the immediate future.

"But I guess that if I am going to be a father, I would entertain offers for that, too," he said. "I'm ready to retire."

In his decision to sell Joe's Place and the Sports Column, Stalkfleet joins several other downtown bar owners who have chosen to market their property or to sell their property. That includes Gary Fitzpatrick with Fitzpatrick's, 525 S. Gilbert St., George Barlas with the Union Bar, 121 E. College St., John Morain with Malone's Irish Pub, 121 Iowa Ave., and Brad Lohaus with The Airliner, 22 S. Clinton St.

Lynn Walding, administrator with the state's Alcoholic Beverages Division, said several of those establishment owners chose to sell after racking up too many alcohol-serving violations. For instance, Fitzpatrick decided to close his business May 25 after receiving three violations since 2002 for serving underage patrons.

According to Iowa law, while alcohol-license holders with up to three violations can continue normal operations after paying a fine or serving a suspension, a fourth violation results in revocation of their license. That was the case for Barlas, who received his fourth violation last year. The Union, known around the Big Ten as the biggest bar in the conference, went out of business in May. Barlas said that while he is entertaining several offers, the establishment has not yet been sold.

The Airliner started serving a three-month liquor-license suspension June 6 after receiving three alcohol-serving violations. Joe Murphy, owner of Murphy Sound in Iowa City, said he has talked with Lohaus about buying his renowned establishment.

"But Joe's has no history, and the Sports Column has only one violation," Walding said, asserting that Stalkfleet is not being forced to sell because of lack of compliance with state law. "The Sports Column has a first sale to a minor infraction, that is the only thing on their record."

Walding said the rise in violations has stemmed from an increase in alcohol enforcement that started in 2001 when the City Council banned some drink specials and took more authority in regard to alcohol licenses. Through 2002, the charges for possession of alcohol under the legal age more than doubled from 988 to 2,271. Last year, councilors continued their efforts to curb dangerous drinking by passing a law to ban those under age 19 from entering alcohol-serving establishments after 10 p.m.

That law went into effect Aug. 1, and officers since have issued 1,880 tickets for underage possession. More than 30 alcohol-serving establishments have received one or more violations since 2001.

Walding said the level of bar turnover occurring downtown is rare and can be attributed to the changes in laws and their enforcement.

"It's certainly a Realtors boom ... I would have to think back quite a bit to see that kind of turnover in downtown," he said. "That sector of the economy in Iowa City has been overdeveloped, especially in the downtown area. That was supported in part by underage drinking."

Walding said he expects the coming years to bring a change in downtown development.

"If you take out underage drinking, it's difficult to support that number of bars," he said. "It's anticipated to have a number of bars who contemplate whether it's economically feasible to stay in business."

The City Council will evaluate the effect of the 19-only law near its one-year anniversary in August and consider the possibility of increasing the bar-entry age requirement to 21.

"We will see if there is enough who want to change it, leave it or get rid of it," said Councilor Ross Wilburn, who also serves on the Alcohol and Bar Committee, a group composed of community officials, business owners and residential activists to evaluate the alcohol ordinance. "I would support going to 21, because I think that in terms of enforcing the existing state law, it makes more sense."

Wilburn said downtown is changing, and those shifts should continue to affect the character of the city's central business district.

"Regardless of the council, there are changes that have happened in the downtown in the last year," he said. "There is an older crowd coming downtown. Downtown is different than it was two to three years ago, and I think those changes will continue."



**4. French Winemakers Gather For Crisis Meeting On Bumper Harvest**

*Dow Jones Newswires*

July 21, 2004

PARIS (AP)--French vintners held a crisis meeting with Agriculture Minister Herve Gaymard Wednesday as the country's wine industry braces for more trouble: a bumper harvest.

The talks come two days after the Agriculture Ministry forecast that France will produce 5.66 billion liters of wine in 2004 - or 20% more than last year, when production was hit by a record-breaking heat wave that scorched Europe.

For an industry that's already overproducing, a good harvest can be bad news.

"On the one side, we've got a market that's shrinking, and then -in France at least -there's a potential production that's very high," said Roland Feredj, director general of the Council of Bordeaux Wines.

"The risk is there will be a very strong imbalance in the market because supply is going to be strong and demand will be weak," he said in a telephone interview.

Vintners' groups met in Paris for a day of talks aimed at reviving the flagging fortunes of France's vineyards, squeezed between falling wine consumption at home and tougher competition from foreign wines on export markets.

After the talks, Gaymard is expected to announce new government measures to support the crisis-hit sector.

Global prices are already depressed by an oversupply of up to 6 billion liters a year on world markets, Feredj said. If matched in Spain and Italy, this year's expected production increase in France will only worsen the situation.

Figures published Wednesday in financial daily La Tribune show the value of French wine exports fell 10% on the year in the first five months of the year.

Exports also fell compared with 2003, seen as an atypical year because of the heat wave and a lucrative sell-off of Bordeaux wines made in 2000.

Wines from places like Chile, Australia and California overtook French wines on global export markets for the first time in 2003. France exported 1.78 billion bottles whereas so-called New World vintners exported 1.93 billion.

The global oversupply of wine and downward pressure on prices makes mass marketing campaigns crucial to winning and keeping market share -a factor that French winemakers say works against them.

How to improve cooperation between France's thousands of small vineyards and simplify their message abroad was one of the questions being discussed at the ministry Wednesday.

Not all of the French vintners' problems lie overseas. Wine consumption has been falling steadily for the past four decades in France, where the average person over 14 now drinks just a quarter bottle a day, compared with a half bottle in 1961.

Sales have been hit particularly hard by an onslaught of anti-alcohol campaigns and tougher drunk driving rules in the last two years.

This has prompted protests by winemakers' groups, who earlier this month were giving out free bottles of wine to motorists at highway toll stations in protest at what they see as overzealous new rules.

A powerful alliance of wine-loving lawmakers is also demanding the lifting of wine advertising restrictions and a range of other measures designed to boost consumption.

A white paper to be presented to the government next week will call for "balance between public health priorities" and recognition of wine as an "exceptional product" that is part of the nation's culture, said conservative deputy Philippe Martin, who helped to draft it.

"We can warn against excessive consumption without demonizing our wine," Martin said.

