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| *December 3, 2004* | |

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1. Here is Scotland Distilled

By Jerry Shriver, *USA Today*

December 3, 2004



**Intoxicating beauty:**

**Bowmore is one of seven whisky distilleries on the rugged island of Islay off the coast of Scotland.**

**By Morrison Bowmore Distillery**

ISLAY, Scotland — Even though this tiny island in the Inner Hebrides gets slapped by the sea, whipped by the wind and ravaged by rain for too much of the year, one hears few complaints from the 3,400 souls who have carved out lives among the moors and knobby hills. (**Related links:** [Interactive map of Islay](http://www.usatoday.com/travel/_graphics/scotch/flash.htm) | [A Scotch whisky primer](http://www.usatoday.com/travel/destinations/2004-12-02-whisky-primer_x.htm))

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Who cares about climate when your world is awash in whisky?

Consider: Display cases of scotch greet travelers at the Glenegedale Airport and at gas stations. Waiters drizzle it on oysters and fold it into desserts at the Harbour Inn in the capital town of Bowmore. The nearby Lochside Bar has a voluminous library of local whisky lined up on its shelves. In winter the livestock munch on barley dregs from distilleries, and eventually their fillets are marinated in the amber spirit.

For more than 200 years Scotch whisky has weatherproofed this modestly appointed outpost quite efficiently — in the early days, myriad hidden coves, difficult access and ready sources of peat and pure water made the place a haven for bootleggers.

But today, with global demand for the spirit on the upswing again, particularly in the USA, Islay (EYE-luh) is exposing its charms as never before. That's because Islay's seven distilleries don't produce just any old firewater; they're famous for single-malt whiskies, the most prestigious and fastest-growing category.

And the locals don't make just any old single malts. Theirs are among the most sought after by connoisseurs — heavy, intense, extreme-tasting hammer-of-the-gods malts, for the most part. Malts that recently have inspired record numbers of tourists to make the expensive and sometimes harrowing journey here to see where these beasts are born.

"This is *the* place," says Patrick Hedengren, 36, who traveled from Stockholm to visit five of Islay's distilleries. "I want my whiskies as smoky as possible. Nothing else can compare."

To understand their peculiar allure, think of Islay whiskies as a niche within a niche of the scotch world. About 95% of Scotland's whiskies are sold in the form of blends, such as Chivas Regal and Johnnie Walker, in which flavorful malted-barley-based whiskies from dozens of distilleries are combined with blander whiskies made from neutral grains.

Most of the rest of the scotches are single malts, which are whiskies with distinct personalities, produced and matured by just one distillery. They're marketed as luxury products to upscale professionals, and they're the hottest segment right now, with sales showing an average annual growth rate of nearly 10% over the past decade.

Of several regional styles of malts, Islay's is by far the most powerful and pungent, offering pure drama in a glass. Islay malts tend to have the most peat-smoke character of all whiskies, and many also display flavors and aromas of salt, iodine, tar, sulfur, seaweed, grass and ocean spray. They can be tough going for novices, and they're expensive, about $40 to $75 a bottle.

These whiskies invite the question: By what alchemy are water, barley and yeast transformed into a spirit that evokes the landscape?

"Islay malts are where the devotees are going," says Michael Jackson, author of the new fifth edition of the classic *Complete Guide to Single Malt Scotch*. "They're for people wanting the ultimate taste, challenge and thrill. They used to be thought of as weird, but now they're fashionable, and Islay is a fashionable place."

Thanks to this renewed interest, all seven of the island's working distilleries, some of which date to the early 1800s, are up and running for the first time in decades, and are welcoming tourists. Ardbeg, shuttered in 1981, was revived in 1998, and Bruichladdich reopened in 2001 after seven years of silence. Whiskies from Caol Ila have just been introduced in the USA, and Bunnahabhain is operating regularly again under new owners. And Islay's most famous distilleries — Bowmore, Lagavulin and Laphroaig — are working at full capacity.

"It's amazing the amount of money this small place contributes to the government coffers," says Bowmore distillery manager Percy MacPherson.

Equally amazing has been the jump in tourism. Islay welcomes 70,000 to 100,000 visitors annually, more than double the number from three years ago. Some come for the hiking, birding and historical sites, but mostly it's the whisky talking. The seven distillery tasting rooms entertain 3,000 to 10,000 guests annually, and the Festival of Malt and Music draws about 7,000 (dates for 2005 are May 28-June 5).

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| |  |  | | --- | --- | | http://www.usatoday.com/travel/_photos/2004/12/03/whisky-inside2.jpg | http://www.usatoday.com/_common/_images/clear.gif | | Morrison Bowmore Distillers | | **Out of the way:** Bowmore is one of several towns on the 373-square-mile island. | | http://www.usatoday.com/_common/_images/clear.gif | |

"September into October is when the true whisky people come, the ones with knowledge," says Jackie Thomson of Ardbeg's visitors center. "But the season goes into November now, and even Christmas is busy."

The limited lodging capacity, and the fact that for most of the year the island is served by just two daily flights and two daily ferries from the mainland (all highly weather-susceptible), help to preserve the idyllic getaway feel. "People come for that remoteness," says Lagavulin distillery manager Donald Renwick. "The most popular homes to rent are those without electricity. There are miles of unspoiled countryside and sandy beaches where you can walk about without seeing another person."

Even the self-proclaimed maverick among the distillery owners, Mark Reynier of Bruichladdich, who moved here recently from London, has succumbed to "the romantic element."

"Islay evolved in isolation," he says. "It's always been very inaccessible, surrounded by violent waters and shipwrecks. But there is a contentment to the people. They get on with life and do their own thing."

Though there's a genuine feel of authenticity and self-sufficiency here, there's also the inescapable fact that six of the distilleries (Bruichladdich excepted) are owned by large international firms with stories to promote and trade secrets to protect. Ask the workers who tend the giant copper pot stills how they're able to capture the natural elements of the landscape inside the bottle and they'll ascribe it to the peat-flavored water or the barley, the shape of the still, the oak casks maturing in seaside warehouses, the skill of the master distillers — everything but the otters frolicking on the rocks.

"We're learning all the time with the stills," says Lagavulin's Renwick. "If there is magic it's in the copper, and there may be more magic in the casks. And we still don't know what all goes on in the casks. But at the end of the day, it works."



**2.** **Paying for Beer at a Party? It's Illegal, but Rarely Enforced**

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| [A man pays for a beer cup at an Iowa City party.](http://www.gazetteonline.com/article.aspx?art_id=93442&cat_id=1##)   |  |  | | --- | --- | | **Greg Undeen** |  | |

By Nicole Riehl -*The Gazette*  
November 27, 2004

The drill at a college house party: Find the guy with the bag of plastic cups tied to his belt loop, pay five bucks and drink beer until the keg runs dry.

It's cheaper than a night at the bars, but there's one problem: It's bootlegging.

The term may bring to mind a still in the woods during Prohibition, but in modern times, it means selling booze without a liquor license. The crime is common at house and tailgate parties, especially in college towns, but police in the Iowa City-Cedar Rapids corridor rarely file charges.

Students at the University of Iowa have keg parties for profit, or at least to make back the money they spent buying the beer and plan to spend on post-party cleanup.

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| **CHARGES** |
| |  | | --- | | Number of bootlegging charges in past 5 years:   **Ames:** 19   **Cedar Falls:** 12   **Cedar Rapids:** 4   **Coralville:** 0   **Hiawatha:** 0   **Iowa City:** 1   **Johnson County:** 2   **Linn County:** 0   **Marion:** 2   **University Heights:** 2   **University of Iowa Police:** 0 | |

"Sometimes, people just need to raise ... a couple hundred dollars so they can go to Cancun for spring break or to help pay off a car," said Alex Suha, 20, a UI theater major from Wheeling, Ill. "A lot of times, these kegs are the answer to students' immediate financial problems."

UI sophomore Jessica Pletz, 19, pays $5 a cup "99 percent of the time" at house parties.

"You make a lot of money off of one keg," said the biology major from Delavan, Wis.

Pletz and her two roommates made $350 on a party, minus the $175 they spent on 2 1/2 kegs and Jungle Juice, a mix of hard liquor and juice or fruit-flavored drink.

UI senior Chad Reich and his roommates counted $1,300 after a 14-keg party at a rental house next door to the Johnson County Jail.

Reich, 23, who no longer lives at that house, said a $5 fee is necessary when 200 strangers show up, "trash your house and steal your toilet paper, toothpaste and deodorant.

"I think that either people know it's illegal or that it's not right, but it's such a petty crime," said Reich, a marketing major from Panora.

The party crowd may find the crime trivial, but lawmakers don't.

Bootlegging is a misdemeanor for someone younger than age 21 and a serious misdemeanor for those older than 21. A simple misdemeanor is punishable by 30 days in jail and a $500 fine. A serious misdemeanor carries a top penalty of one year in jail and a $1,500 fine.

The charge has teeth, but isn't often used in Linn and Johnson counties.

Iowa City police, for example, have filed just one bootlegging charge in five years, and UI police don't even list the charge in the computer. Police don't believe bootlegging is a problem in Cedar Rapids.

Police may deal with parties by citing underage drinkers or by filing broader city charges against the host. City codes include "disorderly house" or "nuisance party" offenses that may cover anything from noise, fights and public urination to drug abuse or prostitution.

Bootlegging happens along with those crimes, police say, but it's not always obvious.

"Unless somebody brings to your attention that you had to pay something for the beer or the alcohol, you're not going to be aware of it," Iowa City police Sgt. Brian Krei said. "We're at the doorway, not where the keg is."

Some officers acknowledge they may need to take party investigations a step further to find bootlegging.

"I think part of it might be our fault," Marion Police Chief Harry Daugherty said. "We probably need to look into it a little more, ask the partygoers if they paid to drink."

That's where things get murky. Are donations OK?

"The donation one is a lot harder to prove," said Ron Fort, University Heights police chief. "(We) have to stand there and make sure it's true donations and not being ordered to put a donation in."

What if you sell $5 pencils, but give the beer away?

"If they're selling raffle tickets, cups, however they want to word it, the law interprets that as providing alcohol for money," said Lt. Becky Bedard, who leads the Cedar Falls Police Department alcohol enforcement team.

The "bootlegging team" set up stings that led to 12 bootlegging charges in the past five years -- many near the University of Northern Iowa campus. Police in Ames, home to Iowa State University, have caught 19 bootleggers since 2000. Both departments send young, plain-clothes officers into parties.

"I don't know why anybody else wouldn't be investigating all of the alcohol violations," Bedard said. "They generally have sold to whoever we have in there in plain clothes."

The bootlegging squad busted one party where hosts made hundreds of dollars selling mixed drinks, keg beer and shots.

"They had their own bar set up -- minus the liquor license," Bedard said.

A license is the key to selling alcohol legally.

To sell beer at a weekend keg, state law requires a temporary (five-day is the minimum) Class B beer permit and insurance, said Lynn Walding, the "bar czar," or administrator of the Iowa Alcoholic Beverages Division.

The license is affordable -- $12.50 to $37.50, depending on the size of the city, but a one-day "dram shop" insurance policy would run $500, according to Universal Insurance Group, a major dram insurer in Iowa.

The license holder must be 21. Having the license means giving up search-and-seizure rights while the alcohol is being sold, so police could stop in for a visit without a warrant, Walding said.

It's unlikely, however, that keg-party hosts would bother doing everything legally.

"The only way to stop bootlegging is to bust every party," said Reich, the UI senior. "There are a lot of people willing to take the ticket because they know they'll make the money back."



**3. Diageo's Caramel Liqueur Targets Hispanics**

November 27, 2004

Dulce de leche is a common sweet in Latin America, which is why liquor giant Diageo introducing Caraluna in South Florida and Phoenix.

Hagen-Dazs sells dulce de leche ice cream, Hershey's makes dulce de leche Kisses, and now Diageo is debuting a dulce de leche liqueur called Caraluna.

Just in time for the holidays, the liquor giant is introducing the caramel-based cordial in South Florida and Phoenix, aiming it squarely at Hispanic palates.

''We're always doing research and one area that became really obvious to us is that there isn't a cream liqueur for the Hispanic market,'' said Kevin McLaughlin, Diageo's global innovation director. ``And dulce de leche has really become a flavor trend, so we matched those two facts.''

**COMMON TREAT**

Akin to a caramel-flavored condensed milk, dulce de leche is a common sweet in Latin America, often eaten straight from a can or poured onto thin wafers.

In recent years, it has taken off here as U.S. food producers have sought to reach Hispanic consumers and also to satisfy the mainstream market's broadening tastebuds.

Not all dulce de leche products have worked. In 2001, Mars introduced dulce de leche M&Ms in test markets with large Hispanic populations, but they failed to whet consumers' appetites and were withdrawn.

McLaughlin said Caraluna should be boosted by the Latin tradition of drinking sweet, creamy egg nogs during the holidays, as well as rising sales of pricey alcohol brands, which consumers see as having more cachet. Caraluna will sell for $21.

**TASTE TESTS**

Starting in June, Diageo developed Caraluna in about a third of the time researchers usually take to come up with a new product. They gathered all types of dulce de leche recipes, candies and desserts to come up with an after-dinner sipper that blends rum, cream and the caramel syrup.

Caraluna will be marketed primarily through store tastings in Hispanic areas, with the goal of selling it throughout Latin America and the United States.

Hispanic market analysts said the drink could find a niche in South Florida.

''Dulce de leche is a flavor that transcends Hispanic nationalities, and there's a large, upscale Hispanic market here,'' said Raúl López, president of The Cultural Access Group in Miami. ``I see interesting possibilities for it.''



**4. Fraternity Suspended Until 2009 Because of Alcohol-Related Incidents**

By Traci Finch *- The Daily Iowan*

[November 30, 2004](http://www.dailyiowan.com/main.cfm/include/displayIssueArticles/issue_date/20041130.html)

The UI suspended a fraternity for the second time in four years because of alcohol-related incidents, officials announced Monday.

The Gamma Nu chapter of Pi Kappa Alpha, 1032 N. Dubuque St., may not operate as an official greek organization under university domain or the Pi Kappa Alpha International Fraternity until 2009.

The suspension comes after a report filed with the university from a Pi Kappa Alpha pledge regarding the events of Oct. 20. Eight pledges had reportedly been provided alcohol in the fraternity house and then forced to perform calisthenics.

That night, one of the underage pledges went to the hospital, said Eric Wulf, the executive director of the Pi Kappa Alpha International Fraternity. For reasons of maintaining anonymity, said Thomas Baker, the associate dean of students, the UI would not confirm that that pledge was the person who filed the report.

The 32-member fraternity was notified on Nov. 17 about the five-year suspension in a letter from Phillip Jones, the vice president for Student Services. The chapter also a second letter from the international organization around that time.

"One is from the fraternity, and one is from the school," Wulf said. "Both the fraternity and the University of Iowa agreed to suspend [the local chapter] at the same time."

The chapter was suspended in 2000 for one year because of an "alcohol violation on chapter property," Baker said.

"There was alcohol offered to prospective members," he said, adding a one-year penalty is ordinary for a first violation.

Wulf said that after visiting campus three weeks ago and meeting with university officials, the five-year suspension seemed appropriate.

"The logic behind the five years is typically, it's good to have all the current chapter members graduate from school," he said. "When the chapter returns to Iowa, we'll probably have all new members."

Only one or two chapters of the 205 Pi Kappa Alpha chapters across the nation are suspended for alcohol violations annually, Wulf said.

He said the biggest change local-chapter members will experience is no longer being allowed to use the chapter house. Members residing in the house will be required to find new housing in January.

Wulf said prohibition from fraternity activities - such as greek week and intramurals - will also leave holes in the members' days.

"This is obviously a very serious manner - any time alcohol is offered to a pledge in a chapter house, that's a very serious violation," Baker said.

Pi Kappa Alpha member Will Petsche said the president of the chapter had instructed members not to talk to media about the suspension.



**5. Justices to Hear Arguments on Interstate Wine Sales**

By Bob Tedeschi – *New York Times*

November 29, 2004

On Dec. 7, the United States Supreme Court will hear arguments from small wineries and state regulators to decide whether those wineries can sell directly to out-of-state consumers, or whether they must use a state-mandated distribution system that, the winemakers argue, is far too costly.

The issue has implications for the 24 states, including Florida and New Jersey, that do not allow direct shipments to their residents, but none more than New York, the nation's second-largest wine-consuming state, after California.

With the Internet fast becoming the marketing method of choice for smaller wineries to reach faraway customers, the court's decision could shape how the industry will market itself in the future.

At the heart of the matter are regulations enacted after the approval of the 21st Amendment in 1933, which ended Prohibition and allowed states to regulate the sale of alcoholic beverages. At that time, New York and other states passed laws requiring out-of-state sellers of alcoholic beverages to sell only to licensed wholesalers in the state, who would then market the wine and other drinks to retailers.

Since this "three tier" distribution system bars the import of out-of-state wines by retail customers, small operators like David Lucas, of the Lucas Winery in Lodi, Calif., cannot ship wine to consumers like Robin Brooks-Rigolosi, a commercial real estate broker and a fan of red wines in Manhattan.

In 2000, Ms. Brooks-Rigolosi tried to order a zinfandel from Mr. Lucas's Web site but found that such a sale was illegal. Shortly thereafter, she and Mr. Lucas, along with a libertarian public interest law firm, the Institute for Justice, among others, brought suit in Federal District Court in Manhattan, contending that New York's law violated the commerce clause of the Constitution, which, among other things, bars states from enacting laws that unduly interfere with interstate commerce.

"This is about liberty," Ms. Brooks said. "One of the most far-reaching aspects of the Internet is that I can access art, culture and products that are well beyond my backyard. But all of these parochial state laws are preventing me from enjoying a perfectly legal commodity."

Similar cases have been brought in Florida and Michigan. The states have argued that since the 21st Amendment explicitly gave them the right to regulate alcohol, their laws were essentially free from commerce clause restrictions.

While the United States Court of Appeals for the Second Circuit, in New York, upheld the state's restrictions, the Sixth Circuit last year struck down Michigan's ban on direct interstate shipment to consumers, saying that the law did not serve the core interests of the 21st Amendment enough to justify discrimination against out-of-state businesses.

Into that judicial breach now steps the Supreme Court, which has offered relatively little guidance in past cases on how exactly to balance the commerce clause and the 21st Amendment.

"I think it's up for grabs," said Jesse Choper, who teaches law at Boalt Hall, the law school of the University of California, Berkeley. Mr. Choper, who has advised wineries challenging the state laws, said that three members of the court, Chief Justice William H. Rehnquist and Justices John Paul Stevens and Sandra Day O'Connor, had indicated in past cases that the 21st Amendment trumped the commerce clause, while two others, Antonin Scalia and Clarence Thomas, suggested opposing views.

Lawyers for the states and the wine wholesalers argue that the restrictive laws help limit under-age drinking, since, they said, children could more easily obtain wine online than at a store. They also say that the laws establish "orderly market conditions" and the collection of taxes, because wholesalers are licensed and aware of the state's tax requirements.

Randy Mastro, a lawyer at the firm of Gibson, Dunn & Crutcher and a former New York City deputy mayor, who is representing New York State wine distributors in the case, said that to comply with New York's laws, out-of-state wineries would have to open an office in the state and obtain a license, "so they could be present and accountable to the state, just like any in-state New York winery."



**6. Questions for…**

**Simon Hunt**

**Looking for a Few Good Shots With First Stoli Vodka TV Ad**

*The Wall Street Journal*

December 1, 2004; Page B2E

In 1996, Seagram Co. shocked the media world and bought ad time on several cable stations. It was the first alcohol company to break the spirits industry's self-imposed ban on television advertising.

While network TV has maintained a ban on spirits advertising, spirits makers have increasingly been using cable TV to get their pitches out to the masses.

This week, Allied Domecq PLC is set to kick off the first TV ad effort for the popular Stolichnaya vodka brand. And the company is pouring money into product placement in an effort to broaden its reach. But promoting spirits on TV remains a tricky dance, as General Electric Co.'s NBC found in 2002 when it agreed to begin running liquor ads, only to swiftly retreat from the plan amid a big backlash.

Below, Simon Hunt, executive vice president of marketing for Allied Domecq Spirits North America, talks about his company's efforts to get networks to reverse the spirits-ad ban, Nascar's recent decision to team up with spirits makers, and the sudden onslaught of product-placement deals in the alcohol industry.

"We are seeing an ever-changing environment at a number of networks," says Simon Hunt. "They are exploring avenues to increase their advertising revenue." Company: Allied Domecq PLC; Title: Executive vice president of marketing, Allied Domecq Spirits North America

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**WSJ:** How long will it be before we see liquor ads on late-night network TV?

**Mr. Hunt:** We are working with a number of media providers and seeing a bit of an environmental change with some of those outlets. A number of media suppliers we currently are talking to are asking, "We take beer advertising, why don't we take alcohol ads?" Alcohol is alcohol. The same access would be fair. A number of media suppliers are looking at this now. I think the networks are seeing the money go to cable.

**WSJ:** Are there currently ongoing discussions with networks?

**Mr. Hunt:** Yes, there are things going on. Since discussions are under way, I don't want to risk them. There is a changing environment emerging. I've got to be honest. We are seeing an ever-changing environment at a number of networks. They are exploring avenues to increase their advertising revenue. We have to see where discussions go.

**WSJ:** Is one network more accepting than the others?

**Mr. Hunt:** It varies across the different networks.

**WSJ:** You are just about to kick off the first TV campaign for Stoli vodka, a brand that was purchased from Diageo PLC. You had been at Diageo -- why was this brand never promoted on TV?

**Mr. Hunt:** I think a number of reasons. We are seeing the acceptability level of alcohol advertising at TV stations increasing. For the Stoli brand, a lot of the focus had been on print and out-of-home. I think when I joined Allied Domecq, our understanding of consumers wasn't as good as it needed to be. We then spent $15 million on a segmentation study across 10 countries, which allowed us to understand the changing dynamics among our consumers. We looked at who our consumers are and what their media consumption habits were.

With Stoli, we found its target, the 21- to 29-year-old consumer, watches a lot of TV, but a particular part of TV. They used channels like Spike TV.

**WSJ:** In recent years, flavors were the big money maker for the spirits marketers. Is that over? And are high-end brands -- like Stoli Elit, which sells for $60 a bottle -- the new cash cow?

**Mr. Hunt:** On flavor, I don't think it is over. We are seeing a greater level of experimentation with younger adult consumers. We have seen an explosion in flavored vodka and rums. However, once the explosion is over it will come back and leading brands will continue to offer flavors. Stoli's first flavor -- Ohranj -- was introduced in 1986.

On high-end growth, I think it varies by brand and category. There are consumers willing to pay anything from $20,000 for single-malt scotch that is 100 years old to $150 for a cognac. That market is growing faster than it has in the past. The category is being driven by a number of things -- it's brand-driven, and individuals who desire to make a statement are driving it. The other reason is appreciation for quality.

What we are seeing is new entrants will come out with promotions that say, "My vodka is made by nuns in Lapland and filtered through diamond dust." But increasingly consumers are looking for what is real. Different methods of production offer consumers the chance to say, "I understand how this is made," and they are willing to pay for it.

**WSJ:** Your brands, such as Stoli and Wet, are now getting play during "The Club," a reality show on Spike TV. They have the Stoli chill lounge and the VIP section from Wet by Beefeater. In one episode, a group of men are drinking Canadian Club at a poker game. How can you make sure the brands are seen in the right light? Are there age concerns?

**Mr. Hunt:** Before we look at any product placement or integration, we take a lot of things into consideration. We run everything past our third-party review board -- a group that includes three leading alcohol specialists who have worked in creating alcohol policy. We make sure everything is compliant with our codes. The data we have to date on "The Club" suggest we are hitting a 90% drinking-age [viewership] -- that exceeds the code.

In terms of control, my view is to not have a product placed into a show that isn't a fit. Consumers are very savvy and respond quite negatively if they feel like they are being sold to. We worked with producers to make sure our brands fit. "The Club" features consumers enjoying our brands, but it doesn't look forced.

**WSJ:** Alcohol advertising is still banned from network TV, yet Allied Domecq has found a loophole by paying for product placement. Stoli has been frequently featured on programs such as NBC's "Will & Grace." Have the TV networks ever complained or tried to stop this?

**Mr. Hunt:** We haven't directly had any complaints. But that is a testament to the product placements that don't seem forced. They feel natural.

**WSJ:** Nascar has opened the door for spirits advertising. Diageo has jumped in. There has been some backlash; is this something you are considering?

**Mr. Hunt:** This is a great example of media outlets opening up. We applaud the decision and we are looking at opportunities there.

