# Chapter 1

# The Game Is Afoot

*There's a shark in the water, and the shark is InBev.*

—Anheuser-Busch executive



Wednesday, June 11, 2008, was forecast to be hot and sticky in St. Louis, with afternoon temperatures rising well above 80 degrees. None of the Anheuser-Busch executives who pulled into the parking lot of the soccer park in Fenton that morning expected to see much sunlight for the next 48 hours, however. After several decades of overpowering domination of the U.S. beer market, and a history of independence that stretched back more than 150 years, the company was under attack.

Anheuser's top staffers met often at the soccer park, one of several sites the company owned that were scattered around St. Louis. The Busch name was plastered all over town, in fact, on everything from the beer billboards that lined the city's highways and bus shelters to the plaques that marked some of its best-loved recreational sites. The

St. Louis Cardinals professional baseball team had called Busch Stadium home since 1953. Parents had been shuttling children for years to Grant's Farm, the Busch family ancestral home turned free-admission zoo. Students at St. Louis University congregated at the Busch Student Center, and visitors to the August A. Busch Conservation Nature Center in St. Charles, just outside the city, could even blast shotguns at the August A. Busch Shooting Range.

Less than three weeks earlier, the newspapers had picked up on something that prompted Anheuser-Busch to draw its own arsenal. Global beer giant InBev, the papers said, was preparing to lay siege to Anheuser with an unwanted $46.3 billion takeover bid.

Nothing was clear yet; InBev hadn't actually made a formal offer. The concept alone, however—and the fact that details in the newspaper reports were so explicit—set people afire at Anheuser's headquarters. Few companies on earth were more evocative of America, with all of its history and iconography, than Anheuser-Busch. Despite the forces working against it, from brewing rivals to alcohol tax–wielding politicians, the company had somehow made itself—and its key brand, Budweiser—as ubiquitous a part of American life as firecrackers and apple pie. If InBev decided to pounce and its takeover effort was successful, the glittering shrines Anheuser had built to itself in St. Louis could come crashing down, along with its supremacy as America's beer brewer of choice.

Most of America seemed to have never even heard of InBev. The company had grown from a tiny Brazilian brewing outfit into a globe-spanning megalith in an incredibly short period of time by normal business standards. InBev was now based in Belgium, but it was run by an intense, hard-charging group of Brazilians who had consistently gotten what they wanted as they pushed their company further and further up the list of global corporate powers. There could hardly be a more dramatic counterpoint to the gold-plated, history-laden Anheuser-Busch than cold, number-crunching InBev.

Arrogance and denial made some Anheuser-Busch executives believe that despite the missteps they had made over time, a takeover would never happen. The company—once the world's top brewer—had slipped into fourth place because of the insular, America-centric strategy it had espoused in recent decades, and it now appeared vulnerable.

Its corporate planning committee, though, had repeatedly run the numbers and determined that Anheuser-Busch was simply too expensive to buy. The concept seemed too illogical to entertain. How could Budweiser, a beer synonymous with American culture, ever be brewed by a Belgian juggernaut whose executives spoke Portuguese at the office? It was unthinkable.

As days ticked by with no official bid from InBev, sentiment among Anheuser staffers at headquarters arose that this was, yet again, just another one of the rumors that artificially boosted the company's stock price every few months. It was summer lightning, they thought—all flash but no rain. Still, something felt different this time. One newspaper report had included not just the price InBev was planning to offer but even the code names its Wall Street bankers were using for the project. A few members of the strategy committee—the 17 executives who mapped out Anheuser-Busch's future—were plagued by an ominous feeling about the whole thing.

Robert "Bob" Lachky, a well-liked executive who was famous in America's marketing circles for green-lighting Anheuser's "Wassup?!" ad and the Budweiser frogs, reacted at first to the takeover rumors with a defiant charge of energy. No bid from InBev had actually materialized, he reasoned, and even if one did, surely a company that pulled the kind of weight Anheuser-Busch did could fend it off. However, a conversation with one of his mentors—a former company executive—over the Memorial Day holiday weekend had abruptly spun him in the opposite direction.

"It's done. You're done," his former colleague had said.

"Come on, man, we can fight this," Lachky shot back, startled by the man's conviction.

"You're done," his mentor repeated determinedly, explaining that much of Anheuser's stock was owned by struggling pensions and hedge funds that would gladly take InBev's money. The markets were in the tank, and a bid from InBev would lock in badly needed gains for anyone who owned the stock. "This is a real offer. There's such sentiment right now that's going to be used against us," he said. "The fact that we're going to be forced to listen to it means that we're in, we're done."

In a way, some staffers were relieved to hear that InBev's long-rumored bid was on its way. "Maybe this is actually a good thing," they thought. "It's finally out in the open. We're in play now." Anheuser-Busch had been rumored as a takeover target for years, and battling the persistent speculation had been frustratingly distracting. Now, the company would know exactly which shark in the water was scouting an attack and how much it thought the company was worth. The takeover reports had already boosted the price of Anheuser's stock, which had gone nowhere since 2002, by more than 8 percent. If Anheuser could arm itself with the right data, it might even be able to convince investors it was worth more than InBev thought. The company was just starting to get back on its feet again after several rough years.

Positive thinking was only going to go so far, though, for a company that had done almost nothing to protect itself from the increasing threat of a takeover. Some sort of big change was starting to look inevitable. "The scenario you all hope for is that you can beat them off with a stick and be okay," said Lachky. "But you knew darn well they were going to come back again. This is a matter of time. They're either going to get us now or they're going to get us later."

Fear of the unknown had caused significant fissures within Anheuser-Busch since the reports of InBev's interest first hit. Staffers had been huddling in each others' offices at Anheuser's headquarters, which were perched on a sloping hill just west of the Mississippi River, for muffled but fervent debates about whether they'd all still be standing there in a year's time.

The company was refusing to comment on the rumors, in part because there was no actual bid on the table. How could it respond when InBev hadn't actually stepped forward to confirm or deny its interest? Still, that wasn't enough to appease the rank and file, who increasingly suspected that top executives knew more than they were letting on. The vacuum of information was causing a real credibility problem.

Douglas Muhleman, head of the company's brewing operations, faced a particularly frustrating quandary. Brewery workers were looking to him for answers, as their boss and as a member of the agenda-setting strategy committee. The fact was, he and the rest of the committee had little more information than their subordinates did about whether they were actually being hunted.

During a routine visit to the company's brewery down in Houston, Muhleman stood in front of several successive shifts of workers and did his best to calm the crowd as indignant employees ranted about the lack of information. The brewery's frustrated floor staffers, who weren't bound by the decorum that dampened criticism higher up the food chain, were getting hot under the collar. Hadn't they already been slashing costs for a year to make the company more competitive? And what did the Busch family think about all this? Didn't they control Anheuser-Busch?

"Guys, I'm down here and I'm trying, but I'm telling you I don't know anything," Muhleman said, looking out over a roomful of suspicious stares.

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There had long been an unspoken assumption that it would be impossible for another company to buy Anheuser-Busch without the approval of Anheuser's domineering patriarch, August Busch III. August III, who was often called "The Third," was no longer CEO, having stepped down from active management six years earlier. His imposing presence on the company's board of directors, however, was still seen as a significant deterrent to would-be buyers.

The notion that Anheuser-Busch was actually controlled by The Third and the rest of the Busch family, though, was a commonly held misperception. The Busches were all bark and no bite from a financial perspective. They owned only 4 percent of the company—less than billionaire investor Warren Buffett, Anheuser's second-largest shareholder. The family still wielded a great deal of influence, and August III's son, 43-year-old August A. Busch IV, was now the company's chief executive, but they had nothing in their wallets to back themselves up.

"They were just the titular heads of this company," said one former executive. "They didn't have control. It was like a monarchy in Great Britain. These guys really didn't have the authority to do anything."

The people of St. Louis, where Anheuser-Busch had been based since it was founded, could be forgiven for forgetting that. Residents there were emotionally tethered to Anheuser-Busch despite how antiquated and paternalistic the company and its ruling family had started to look in comparison to the world's other leading corporations. It wasn't just August III and August IV whose names and faces wallpapered the town. There were so many Busches in the area that an online search of the city's phone directory for the last name "Busch" elicited an exclamation from the computer: "Whoa! Over 100 results found." Some Busches were more notable—or notorious—than others. All who were part of the brewing clan knew what it felt like to be important. "They've always considered themselves as part of a special class of people, and they were treated as such," said one former Anheuser-Busch executive. "They were treated like royalty."

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When Anheuser's top executives arrived at the soccer park that morning in June, they brought with them an electric current of fear and apprehension. They were scheduled to meet with chief executive August IV to put the finishing touches on a plan to slash and burn as many costs as possible. Their goal just a few months earlier had been $500 million, but with InBev now breathing down their necks, it might have to be double that. The whole world was watching to see whether InBev would make a move, and this was the best option Anheuser had for keeping its investors happy.

They had never been known for cost-consciousness. For decades, the aviation-loving Busch men and other staffers had hopscotched around the country on the company's own fleet of sleek, leather-outfitted Dassault Falcon corporate jets. It got to the point for a while where even the wives of strategy committee members hadn't flown commercial in years. To keep "Air Bud" running smoothly, the company had its own flight operations department with a staff of 20 pilots, plus mechanics and other workers, all operating out of a spotless private hangar at the Spirit of St. Louis Airport.

When they weren't flying private, Anheuser staffers flew first-class. "I want my employees at the front of the bus everywhere they go," August III used to say when he was CEO. "They should feel very important." First-class flights were essentially company policy, and the perk stretched far down the pecking order. During The Third's tenure, the company even bought first-class tickets for young staffers who traveled back and forth between St. Louis and top business schools in Philadelphia and other cities.

Trips to New York meant stays at the glitzy Pierre hotel and $1,000 dinners. Visitors to St. Louis were treated to suites at the Ritz-Carlton. Still, the money Anheuser-Busch spent wasn't all for the home team's personal enjoyment—it also spent copious amounts of cash on its breweries, its theme parks, and even its Clydesdale horse operations to ensure that it had the best beer-making technology, the cleanest bathrooms, and the freshest paint jobs and flower arrangements available. For the 27 years he served as CEO, all of these costly efforts were undertaken to meet The Third's exacting standards, and many Anheuser executives were proud to work for a company that cared so much about quality.

The soccer park itself was a money pit. Anheuser-Busch helped build it in the early 1980s to house local youth players, and later bought it outright, spending two and a half years upgrading the facility to open it up to collegiate and professional teams. Because it was constructed on low ground, it was prone to flooding—and preventing and draining those floods was expensive. The irony was just too much. The Busches, who were avid duck hunters, would at points deliberately flood property on their massive farms to create the right environment for fowl during hunting season. However, the Anheuser-Busch–owned soccer park, which flooded on its own naturally, had to be pumped dry at significant cost.

August IV, who was known in aptly royal terms as "The Fourth," had been trying to right Anheuser's listing ship since becoming CEO a year and a half earlier in December of 2006. These weren't easy changes to make after decades of excess, especially with his father still on the company's board of directors. It was going to require real effort from his entire team.

Each executive showed up that day with a mental list of things he or she could offer up. Some were responsible for large segments of the company, like its brewing operations, its entertainment unit, or its giant marketing division. They weren't accustomed to being asked to take a hacksaw to their budgets. Still, this was not the time for idle contributions. They weren't panicked. They hadn't actually seen a bid from InBev. Even if one never materialized, however, it seemed likely that they would now spend the next several years fighting back one assault or another, whether from other rivals or from shareholders. The company needed to get leaner and meaner, and the group had two days to figure out how.

They filtered into a large conference room at the soccer complex and grabbed eggs and pastries from the breakfast buffet, milling about and chatting until August IV strode in and set his materials down at the head of the table.

The Fourth was a loyal Bud dresser, often sporting Anheuser-Busch–themed cufflinks or shirts with the company's logo embroidered on the front. He donned cowboy boots nearly every day, frequently in a preferred shade of green reptile skin, and on dressier business occasions he tended to pair them with an oddly tinged green suit. The boots afforded his five-foot-ten-inch frame an extra inch and a half or so, and he had Tony Lama, founder of his favorite boot maker, to thank for that—along, again, with Warren Buffett, who had owned Tony Lama's namesake company for the past eight years. The boost in height tended to help his cause with women but failed to prompt similarly adoring gazes from his strategy committee. They knew The Fourth had picked up the boot trick from his height-challenged father, and they weren't falling for it.

August IV had never liked coming in to his office at Anheuser headquarters downtown, but he had been skipping out even more frequently in recent months. He had set up an office and even a health room at the soccer park and preferred to work from there, citing construction on one of St. Louis's major highways as an excuse. He, after all, didn't pilot a helicopter to work every morning the way his father did. All the same, his decision to isolate himself from the rest of his troops illustrated how disjointed things had become for The Fourth at his own company, which, except for a brief stint, had boasted a Busch family member as CEO since its formation. The Fourth was feeling frustratingly ineffective and hamstrung by his father, and his increasingly distant attitude had rubbed off on the rest of the strategy committee. "The cat's away, the mice will play," one of them said.

"He increasingly was getting lazy about coming to the office," this person added. "He said, 'My war room is the soccer park.' But not really. We'd do meetings at his house, we'd do meetings at the soccer park, and because he flew a lot, we'd meet at Spirit, at the hangar. We'd have a lot of meetings there." It was reminiscent of times in the past when The Fourth, as the company's marketing head, would disappear from the office for days and force his deputies to track him down if work needed to be done. "He just never went to the office," the strategy committee member said. "He never did. And that was a shame, because I think that was one of his big mistakes."

With The Fourth now situated at the head of the table, the group got down to work. The day was scheduled to start with a presentation from two bankers at Goldman Sachs who had been counseling Anheuser-Busch for a while: Tim Ingrassia, who had just been appointed Goldman's head of Americas Mergers and Acquisitions at age 43, and Peter Gross, a top "relationship banker" who called upon Goldman's highest-profile clients. The two had known each other for nearly two decades, from back when they were both M&A bankers at the firm, and had stayed good friends even after their career paths diverged. Gross had been asked at the mid-point of his career to assume responsibility for Goldman's relationships with some of the world's biggest companies, and had since become a top banker for lucrative clients such as tobacco giant Altria. While Goldman had once been on Anheuser-Busch's blacklist, Gross had gotten his firm back in the company's good graces by doggedly making phone calls and knocking on doors in St. Louis. He and Ingrassia complemented each other well. Gross had the trust of August IV, whom he considered a friend. Ingrassia, the youngest of 10 children and a father of 4, didn't know Anheuser-Busch as intimately but was considered one of the best merger bankers in the business and had the deal-making savvy and stature Anheuser-Busch would need if it came under attack.

After rumors of InBev's interest had first hit in late May, Anheuser's board of directors held a meeting at which they lobbed a bunch of questions at the two bankers. Their main concern was whether InBev could actually finance a deal in the current environment, given that the credit markets were starting to disintegrate and Anheuser-Busch could cost $40 billion or $50 billion. Just two months earlier, investment bank Bear Stearns had collapsed and been sold to rival J.P. Morgan at a fire-sale price. Could any company—even one as big as InBev—find enough banks to loan them that kind of money?

The bankers laid out half a dozen bullet points, all of which pointed to a clear answer: Yes, InBev probably had the capacity to make a bid. With that established, the board's focus had immediately turned toward what it should do to prepare for that worst-case scenario. With any luck, they hoped, the situation wouldn't devolve that far. InBev would get cold feet, and Anheuser-Busch would be left alone to fix itself.

Ingrassia and Gross were prepared to address that very issue—fixing the company—that morning at the soccer park. They stood up in front of the executive committee, their visual slides projected on screens behind them, and launched into a presentation on what Anheuser needed to do to thrive again and to protect its longstanding independence. The goal of the session was to work through the company from top to bottom, discipline by discipline, to see how many dollars they could come up with and how fast. Investors and analysts on Wall Street were waiting for Anheuser's plan.

"If we don't do it ourselves, somebody else is going to do it to us, and it's likely going to be them," Ingrassia told the group, referring to the InBev takeover rumors. "What can we do, and how quickly?"

"The topic of the day was 'This is an emergency,'" one strategy committee member said. "'We've got a problem here. We're about to be taken over.'"

Still, it was going to be a challenge to get some Anheuser executives to change their entrenched views. The company had always made certain arguably frivolous expenditures without a second thought.

The night before, after Ingrassia had returned late to his room at the Ritz-Carlton, he flicked on the television and started aimlessly surfing through the channels. One of the ESPN sports networks caught his eye, and he paused on the station, blinking in disbelief. It was covering a tournament in some incredibly arcane sport—it could have been tiddlywinks for all he knew—and the competition was sponsored by Budweiser. He sat on the edge of the bed and stared at the screen for a few moments, shaking his head, before flipping to the next channel. Thanks to that incident, he had arrived that morning with an idea for at least one expenditure the group could cut.

The executives started to go around the table, one by one, detailing where they could eliminate costs. Marketing. Theme parks. Brewing. Packaging. Nothing was immune. The entire exercise felt surreal. They had been working to reduce spending for several years, but never on this level. This time, they were actually considering firing employees and cutting into retirement perks. It was going to hit St. Louis hard.

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At mid-morning, with the Goldman team still plodding through its presentation, someone stepped in from outside the room and handed a note to August IV. He spent a brief moment reading it, his eyes darting across the paper, before rising from his chair and leaving abruptly. It wasn't unusual for The Fourth to duck out of a meeting to take a quick phone call, but this seemed different—it looked urgent, and he was not a man who was particularly prone to urgency.

Anheuser's other executives shot looks at each other from across the table, confirming that they weren't alone in their uneasiness. Not long afterward, a security guard who had been milling around outside in the hallway validated their fears. August had, in fact, been summoned for an urgent phone call, and the man on the other end of the line was Carlos Brito, chief executive of InBev. Anheuser-Busch and InBev had a partnership agreement, the executives knew, and The Fourth and Brito occasionally spoke for that reason. Still, there was no need for them to be discussing it now. As the minutes ticked away, it seemed clearer and clearer that this could mean only one thing. The cohesion in the room started to dissolve, and the executives began making private phone calls and gathering in small groups for hushed pow-wows.

A few moments later, Gross and Ingrassia, along with a small coterie of Anheuser's top staffers—men such as Chief Financial Officer W. Randolph "Randy" Baker, international head Thomas Santel, marketing chief David Peacock, chief legal officer Gary Rutledge, and internal M&A head Robert Golden—were summoned out of the room and asked to go join August IV in a back room a few steps away. They walked in to find The Fourth waiting for them, grave-faced.

Brito had just telephoned from Brussels to provide fair warning that he was about to send a letter proposing a takeover, The Fourth said quietly. Brito's heads-up represented a queer bit of Wall Street decorum—a way of politely patting someone on the back just before slapping him in the face. The InBev letter, which would formally confirm details of the bid, was on its way by fax. However, from his conversation with Brito, The Fourth already knew enough. InBev was proposing to buy Anheuser-Busch for $65 per share, or $46.3 billion, the same price that had been rumored.

There were a few hiccups and conditions: InBev wanted access to Anheuser's confidential financial information so it could be better-informed, and it hadn't provided many specifics on how it planned to actually pay for the takeover. There was no mistaking it—one of the worst fears of each executive sequestered in that fluorescent-lit conference room was now a harsh reality. InBev's bid qualified, in Wall Street parlance, as a typical "bear hug"—an attempt to make a hostile takeover by offering such a high price that the target simply can't refuse to consider it. Anheuser-Busch was being smothered.

The Fourth was astute enough to know that InBev's entreaty was a big deal. But he hadn't handled a situation like this before.

"Tell me what to do now," he instructed his advisors. "What do I do now?"

The group quickly hunkered down and started to map out a strategy, each staffer tossing in his ideas. They had to contact Anheuser's board of directors to get them organized, since the board would need to meet within a few days to set a course of action. They needed to loop in Anheuser's lawyers to set up a legal strategy, so they picked up the conference room phone to patch in Joseph Flom and Paul Schnell, two New York–based partners at the giant corporate law firm Skadden, Arps, Slate, Meagher & Flom, to brief them on the situation. Flom, a legend on Wall Street, had been Anheuser-Busch's legal counsel for decades and had an incredibly close-knit professional relationship with August III.

Because InBev was a foreign brewer looking to gobble up an iconic American company, the executives also knew they needed to get cracking immediately on a public relations strategy. Randy Baker put in a call to Lawrence Rand, a longtime partner at New York public relations firm Kekst and Company, who had been working with Anheuser-Busch behind the scenes for years in preparation for just this sort of event. Kekst advised a high-powered roster of companies and investment firms on how to handle public exposure, and it specialized in takeovers. The firm would need to brief Anheuser's internal PR staff on how to handle the situation, help them prepare materials for employees, shareholders, and the media, and start figuring out which buttons to push with politicians and community organizations.

Some of the men in that room, when they found a moment to catch a breath, decided that InBev's overture seemed eerily well-timed. The Brazilians had lobbed in this grenade of an offer just as Anheuser-Busch was trying to get the components of its cost-savings plan in place to unveil it to analysts. Was it just a coincidence? Or did InBev somehow know what they were up to?

Half an hour after The Fourth pulled his deputies out of their brainstorming session, the soccer park's fax machine sprang to life and spit out the offer letter from InBev, addressed to August IV. A few phrases jumped straight off the flimsy piece of paper. A merger of the two companies would be an "industry-transforming event," Brito said. "InBev is prepared to pay $65 per share in cash." Brito worked in a quick shout-out to Anheuser-Busch's beer wholesalers and its employees, said the merged company's North American headquarters would be in St. Louis, and said InBev would be renamed to reflect Anheuser-Busch's heritage. He was clearly trying to dampen Anheuser's ability to scuttle the deal by rallying popular sentiment.

International head Tom Santel, who had also been the company's strategic planning chief for the past decade, had been tracking InBev at the request of Anheuser's board of directors for nearly two years. Everybody knew that Anheuser was vulnerable and that InBev was a likely aggressor, but they hadn't been able to agree on a way to defend themselves. With InBev's fax now sitting there on the table, it felt as though the walls were closing in. "Seeing something like that in black and white, it suddenly becomes more real," Santel said. "It was like, okay, here we go."

The back room suddenly seemed stifling, so as a couple of the executives rejoined the larger group, several others stepped onto an outdoor deck alongside the building to continue their conversation. Another posse of Anheuser-Busch staffers who were congregated on a separate deck glanced over quizzically, trying to discern what was going on. After the men wrapped up their hushed discussions, they filtered back into the main conference room, hungry and scouting for lunch.

The rest of the angst-ridden strategy committee sat scattered around a few trays of food, picking over sandwiches and salads as they waited for the session to reconvene. It was obvious that something was up—August IV had disappeared, several other top executives had gone missing, and the two bankers who had been presenting to the group had vanished. They all knew what was coming. Their worlds were about to change. For those final few seconds before the boom actually hit, though, the uncertainty was still comforting.

"I do remember a fairly surreal feeling of being in this back room with August, knowing what was now definitively coming at us, and then walking back into this group of people who had no idea what was going on, who were sitting at a buffet getting food, with all the knowledge of what was coming their way that would change their lives forever," said one person who had been summoned out of the room by The Fourth. "Knowing that and grabbing something to eat, and thinking about how much this could radically change their lives and the city of St. Louis . . . I do remember thinking it was fairly surreal."

Roughly an hour after he left the conference room, The Fourth finally stepped back through the door. His agitated subordinates turned toward him and went silent in expectation.

"I just got a call," he said, his eyes flashing around the room to gauge his deputies' reactions. He briefly sketched out InBev's offer, gripping the company's fax in his hand, and then outlined what his team had planned so far in response. A few pockets of nervous chatter erupted as the group started to internalize what was happening.

"Are we going to fight this?" The Fourth asked, after giving the news a moment to sink in. He amplified his rhetoric a notch. "Are we going to stay together and fight this? What's the vote?"

Everyone in the room said yes. Loudly. What else was there to say? At the same time, their shell-shocked minds started to silently race—to warp ahead six months or a year, trying to picture Anheuser-Busch's future. They had put in 70-hour workweeks for decades. The company was their lives. What would it be like to no longer work for the most famous employer in St. Louis? To no longer feel quietly superior at Cardinals baseball games or to live in the only house on the block that was always stocked with free Budweiser? It was easy to bash The Third and The Fourth for their weaknesses, but they respected them, too.

"Most of these people are from St. Louis, and this is, like, the dream," one of the executives said. "They're the gentry class in their community. They grew up in south city with nothing, and here they are working at A-B. They're giving beer to their friends on the weekends and are the heroes of the neighborhood. Give that up? I'm not trying to be trivial, but this is how the psyche is in this town."

For many of the company's top executives, there also raged a more complicated internal battle. InBev's offer valued Anheuser-Busch at a much higher level than anyone else had in years. What would their piles of stock be worth at $65 per share, they wondered, running over the math in their heads. And what if Anheuser-Busch could get InBev to offer even more? That might mean a five-bedroom house in Vail rather than three, they thought—or maybe a 70-foot yacht rather than a 45-foot day cruiser.

"You're kind of going, 'Okay, at least we're worth something,'" one of them said. "You have that little part of you that's going 'Geez, the valuation is good. I don't like the way this plays out. The only way I'll get my money is if this place goes away.'"

"Isn't that terrible, though, and selfish?"

There was another factor adding to their guilt-tinged calculations, too. If they put their efforts where they had just put their mouths and actually fought InBev's bid, this could be the start of a years-long struggle to fend off one aggressor or another. And if they eventually prevailed, they'd still be stuck with the same ineffective management and paralyzed board of directors. It was, according to one executive, "a little sense of, not fear, but of fatalism, in that 'Okay, we fight this, and then the same management and board is still here. And they won't let us do anything.' "

The executives kept their mouths shut as these thoughts flew through their minds, ashamed by some of them and frightened by the lack of clarity on what lay ahead. One senior staffer let his bias slip, however. "We need to get that price up," he remarked off to the side. The ill-timed comment irked his more loyal peers, but they let it slide. Everyone was too stunned to care.

"We all knew it was possible because of the rumors," said one executive who was in the room that day. "But when the news finally came in, it was like a sock right in the stomach. It was hard."

InBev's formal entreaty sent wheels screeching into motion at Anheuser-Busch headquarters and, 900 miles to the east, up and down Wall Street. Emergency meetings were called as August IV began dialing down the list of people who needed to be put on alert. Once Anheuser and its lawyers determined that they should release InBev's offer publicly to keep shareholders in the loop, press releases were drafted and redrafted. The company's 14-member board of directors started checking in to determine when it could meet, and lawyers at Skadden, bankers at Goldman, and legions of other professionals who wanted to get in on the action dropped what they were doing and began clearing their schedules. Everyone was concerned, of course, that a company as legendary as Anheuser-Busch was falling prey to a foreign giant. There was also a tinge of excitement at the notion that they could be pulled into the highest-profile takeover battle of the year—and the largest all-cash merger bid ever.

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After the beer executives' shock wore off that day, they bent their heads toward the conference room table and got down to business. Dave Peacock and Randy Baker, who had returned from their closed-door session with August IV more determined than ever, led the effort. If they had any chance of beating InBev back, they were going to have to convince Anheuser's shareholders that they had suddenly not only gotten religion on cost-cutting but could also execute on their plans. For a range of frustrating reasons, execution had been Anheuser's weak point since August IV had taken over as CEO in late 2006. Now they buckled down with renewed intensity, and the ideas came flying.

"It was totally surreal, because you're looking across the table at each other and you know it's not going to be the same," said Bob Lachky. "Nobody knew what was going to happen. For the first time in a long time, you saw people who had control of pipelines or fiefdoms suddenly being a little bit more open about giving up their goodies, because we had to do it for the common good. It was like 'Okay, I'll give up all my perks. My nice little Escalade.' Everything is on the table, from the most important budget items to the ones that were perks for top executives. Give it up, give it up."

It soon became clear that many of the cuts they were making were embarrassingly easy to identify. Anheuser-Busch had made such a substantial profit on every bottle of beer it sold for so many years that it had never needed to be strict on expenses. As one advisor put it, "Wildly failing at the management of expenses, their margins were ten points higher than Procter & Gamble's." Plenty of things could be done differently—or not at all—to generate more money, and InBev was bound to point them out if Anheuser-Busch didn't find them first. Anheuser had been floating along in its own little free-spending bubble for decades as the real world had developed around it.

As the group dissolved and headed home at the end of that first long day, they realized they had just become part of America's corporate history. It wasn't a part they wanted to play. Anheuser-Busch had always been the country's patriotic, conquering hero, not a fragile pawn susceptible to foreign interests. This, however, was an unmistakably *big* deal. The enormity of the moment even compelled some strategy committee members to stash away the documents that came out of the meeting for posterity and safekeeping.

Goldman's bankers jetted back to New York that night to start slogging away in preparation for Anheuser's board meeting, but most of the rest of the group met again on Thursday to finish the cost-slashing effort. By the end of their two-day sprint, they were closing in on $1 billion in pledged improvements, many of which would be in place by the end of the following year. Nearly one-third of that total would come through job cuts of 10 to 15 percent of the company's workforce. They hoped many of those cuts would come from early retirement and attrition, but with America's job market worsening every month, that many voluntary departures didn't seem likely. The company also agreed to raise beer prices and drastically reduce spending on machinery and other expensive improvements.

"Why hadn't we done this sooner?" the executives wondered, kicking themselves but also cursing the myopia and delusion that had always hamstrung their company. By waiting until InBev forced the company's hand, they knew they might have lost the ability to decide their own fate.

Anheuser's hubris and naïveté had led to its fall from grace, and it provided an apt comparison to the broader state of America at the time. After years spent downplaying or ignoring developments in other parts of the world, assuming that its supremacy was a constant, America's political and financial dominance were also at risk.

"I'll tell you what it represented," said one Anheuser advisor. "It represented everything that had gone wrong with American business in the last twenty or thirty years. I think these guys felt that the sun rose and fell in St. Louis. They were so dominant there that they totally missed what was going on in the world around them."

By the end of that day, everything already seemed to have spun out of control. Anheuser's share price jumped another 7 percent once the company had confirmed receipt of the bid, and investors started licking their chops and making wagers on whether Anheuser could fight off InBev. Everyone who had been huddled that morning in the soccer park's conference room had just become richer. But they didn't feel like celebrating.

"It was weird," one member of the strategy committee said, reflecting on the gut-wrenching day. "It was kind of like when you go to the doctor and you think you have cancer. But when the doctor finally tells you, you're still not prepared for it."