

November 19, 2018

Eugene Kashper
Chief Executive Officer
Pabst Brewing Company
10635 Santa Monica Blvd., Ste 350,
Los Angeles, CA 90025

RE: Pabst's Contract Brewing With Molson Coors

Dear Mr. Kashper,

We have experience with Molson Coors Brewing Co and Anheuser-Busch InBev SA/NV using extrajudicial methods to prevent competition from macro beer brands that are displacing their sales. Molson Coors and InBev are unlikely to stop this monopolization conduct. However, we have a way that Pabst can increase production and profitability of its brands.

Kansas City Breweries Company, LLC is willing to exchange with Pabst our proposed beverage complex at the center of the nation's rail and highway system in return for production of our three lager beers at Pabst's cost. Kansas City's central location ensures that your East and West coast distributors can be served for less than .25 cents a case in shipping costs utilizing Kansas City's rail container port infrastructure. Kansas City's proximity to numerous east-west and north-south highways and interstates means Pabst could also ship beer to 80 percent of the U.S. population within two days by truck.

Our engineers assure us the capacity your existing sales and future growth for Pabst's thirty plus branded products can be online in one year. The electricity and food production workforce economic advantages of Kansas City, Missouri means that a typical 24 pack case of Pabst beer in 16 oz cans will be produced for less than \$3.50 including all costs except packaging.

I have discussed this proposal with Kansas City Breweries Company, LLC's CEO Terri Bricker, the company's early investors, and the land owners supporting the creation of the beverage production complex. They are willing to transfer all commitments of land and good will in the area of the intersection of Truman Road and Interstate 435 including a former Nestlé Carnation plant and land that comprised parts of the Armco Inc. plant in Kansas City's Blue Valley Industrial Area of North East Kansas City, Missouri from Kansas City Breweries Company, LLC' to Pabst.

The reason for our offer

I recently read of your court case against Molson Coors over the renewal of contract brewing of your brands for reasons that are against the legitimate business interests of Molson Coors and are instead motivated to further Molson Coors' anti-competitive market allocation conspiracy with Anheuser-Busch InBev. I see this as unlawful monopolization even under *Verizon*.

*Communications, Inc. v. Trinko, LLP*¹. Molson Coors currently relies upon the contract revenue Pabst provides and that capacity cannot be replaced by increased demand for Miller and Coors products or by any identifiable independent brand. The Court's analysis in *Trinko* emphasized that no firm may "forsake short-term profits to achieve an anticompetitive end."² During the InBev merger with SABMiller to control over 70% of the US beer market production and almost 90% of US beer distribution, Kansas City Breweries Company was targeted for interference with our contract brewing relationships since our products are not craft beers and our regional affinity value brands were outselling Bud and Miller where we could get them distributed. Like in your case against Molson Coors, the reasons given were wholly pretextual and clearly false under the facts.³

We have first hand knowledge that one of your products, Lone Star Beer has a proven potential to exceed 250,000 cases annual sales in Kansas, but is not being sold in the state because the statewide distributor that has your contract through a consortium has been told the sales would come at the expense of Molson Coors sales. The distributor is forced to participate in the InBev Molson Coors conspiracy to restrain trade and allocate market share by throttling and boycotting Pabst products, even though the distributor does not carry Coors or Miller products and has no legitimate pro competitive business reason to not sell Lone Star Beer. The commercial motive for the distributor is solely the higher prices it is able to charge in the Kansas market for its premium imported beers without significant competition from InBev or Molson Coors distributors in the state as its reward for participating in the nationwide INBev/Molson Coors market allocation conspiracy to restrain trade. Nationwide, the increased anti-competitive cooperation between Anheuser-Busch InBev SA/NV, SAB Miller and now its successor Molson Coors has resulted in significantly decreased beer consumption⁴ as consumers turn to spirits and wine to avoid the beer monopolization price increases.

¹ "[T]he Sherman Act "does not restrict the long recognized right of [a] trader or manufacturer engaged in an entirely private business, freely to exercise his own independent discretion as to parties with whom he will deal." *United States v. Colgate & Co.*, 250 U.S. 300, 307 (1919).

However, "[t]he high value that we have placed on the right to refuse to deal with other firms does not mean that the right is unqualified." *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 601 (1985). Under certain circumstances, a refusal to cooperate with rivals can constitute anticompetitive conduct and violate §2." [Emphasis added].

Verizon Communications, Inc. v. Trinko, LLP. 540. US. 398, 408. 124. S.Ct. 872 (2004)

² *Trinko*, 540 U.S. at 409.

³ When KC Lite™ started to out sell Bud Light and Miller Lite in prominent Eastern Missouri retail locations, the can design for KC Lager™ was stopped by the Wisconsin contract brewer without notice after communication from InBev, sabotaging a planned major Fall roll out of the product. When this wasn't sufficient to destroy the business, the Wisconsin contract brewer refused to ship beer ordered and prepaid by a distributor claiming that the counties of Missouri had changed and that the distributor in Jackson County where Kansas City is located was no longer a Missouri county.

⁴ Report: US beer volume has declined for 5 years straight.<https://www.fooddive.com/news/report-us-beer-volume-has-declined-for-5-years-straight/539395/>

Unfortunately, my fifteen years of personal experience in antitrust litigation in the medical supply industry has shown me that in our post rule of law era, the clear legal protections against these per se Antitrust violations by InBev, Molson Coors, and their distributors can no longer be enforced in courts. We are rapidly losing constitutionally protected property rights arising from established contract law principles wherever their enforcement in courts is relied upon. Kansas City Breweries Company, LLC will not pursue legal redress but we have discovered how the InBev/Molson Coors monopoly power in the nationwide market for macro beers can be defeated.

A macro beer has to own and control the breweries required to compete on price, quality, and value with foreign owned Molson Coors Brewing Co and Anheuser-Busch InBev SA/NV brands.

The advantage of producing in Kansas City, Missouri

Kansas City Breweries Company, once the largest industrial employer in the city before Prohibition, was revived to produce KC Lite™, KC Lager™, KC Malt™ with valuable guidance from key people that had worked for Inter-City Beverage Co. Inc. Inter-City was Kansas City's Pabst Blue Ribbon Beer distributor in the 1970's and 1980's. Under the leadership of James L. James L. Nauser, Pabst Blue Ribbon was the distributors' sole large volume domestic macro beer and it successfully competed with Budweiser and Coors in this city where it retains loyal consumers to this day. The culture, music venues, and people of Kansas City that became strong early adopters of Pabst's products have helped to make the city Third on the Travel + Leisure magazine survey of 'America's Favorite Places', and one of the magazine's best cities for Hipsters.⁵

A group of landholders in Kansas City, which is now the nation's largest rail freight center⁶, have been willing to provide heavy commercial industry property near the intersection of

⁵ Travel + Leisure put together its 'Best Cities for Hipsters,' and Kansas City sneaked in the 20th spot (out of 20 cities listed). Kansas City won the survey for both its affordability and its crowd-pleasing barbecue - and ranked No. 2 for its sharp wireless coverage. Seek out the hipster scene among the rehabbed Crossroads District or Westport, both bustling with music shops, art galleries, and plenty of places to drink the city's highly ranked microbrews. <https://www.travelandleisure.com/slideshows/americas-best-cities-for-hipsters-2013>

⁶ Intermodal rail capabilities – with greater Kansas City ranking No. 1 in the nation in total rail tonnage volume – have been a big draw, with recent additions to the region's distribution scene also coming to Edgerton, Kansas, where BNSF Railway operates a sprawling intermodal facility about 40 miles southwest of revitalized downtown Kansas City.

<https://www.ajot.com/premium/ajot-kansas-city-builds-on-location-as-burgeoning-distribution-hub>

<http://www.logisticsparkkc.com/intermodal-services/kansas-city-intermodal-facility/>

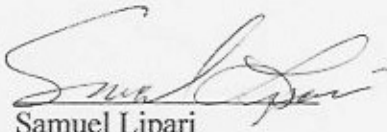
Kansas City Southern Railway's tracks directly to the Lazaro Cardenas port in Michoacan, Mexico, a route that avoids Long Beach, Calif., and other often-congested U.S. ports. The Mexican port recently expanded its capacity fourfold to handle 2 million containers a year

<http://www.washingtonpost.com/wp-dyn/content/article/2009/12/19/AR2009121902272.html?noredirect=on>

Interstate 35 and Interstate 70 and to pledge additional property as financial security for a major beverage production facility. Kansas City Breweries Company's regional beer brand market and fan affinity beer label program plans will utilize very little of the resources in this former ARMCO steel site and Nestlé Carnation plant in the Blue Valley Industrial Area of North East Kansas City which is also where the bulk of the city's under-employed and unemployed food products workers reside. It is also well within the center of the city's public transportation and healthcare services. Other corporations like Amazon have moved major manufacturing and distribution operations to the greater Kansas City region to utilize the rail and container access to the nation's rail systems but have utilized construction in newly incorporated perimeter suburbs of the metropolis but that lack this existing infrastructure and access for the city's workforce.

We believe the production of beverages is the best and most valuable use of this real estate close in to downtown industrial properties and that Kansas City, Missouri would be very supportive.

Sincerely,



Samuel Lipari
Independent Consultant
Kansas City Breweries Company
1609 N. Crystal Avenue
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