





Fall of the House of Busch

**It took four generations
to build Anheuser-Busch,
one of the most celebrated
companies in America.**

**And only one for it
to come apart**

**By Susan Berfield
Illustration by David Parkins**

On Dec. 18, 2010, August Busch IV and his girlfriend, Adrienne Martin, a former Hooters waitress, aspiring art therapist, and divorced mother of an 8-year-old boy, began what was, for them, a typical night in. They enjoyed a steak dinner at Busch's home. They drank for hours, and finally went to sleep around 3 in the morning, according to the first of three versions Busch provided to authorities.

He woke sometime after noon and went to the kitchen to make two protein shakes. When he returned to the bedroom with Martin's drink, he tried to wake her. She was unconscious.

Busch lives alone in a 6,300-square-foot mansion set on four wooded acres in the village of Huntleigh, just outside St. Louis. Fifteen miles to the east is the headquarters of Anheuser-Busch, the biggest brewery in America and the maker of Budweiser beer, along with 30 other brands. The company had been run by Busch's family for 150 years until it was devoured by the Belgian-Brazilian conglomerate InBev in 2008 in a \$52 billion hostile takeover. Busch, 47, was Chief Executive Officer at the time that Anheuser-Busch was wrenched from his control. He ended his two-year marriage shortly afterward. Pretty soon, Martin, 27, was the only person who saw him regularly.

Police reports describe a chaotic scene in Busch's bedroom that Sunday afternoon. The room, located on the first floor, is in a wing of the mansion that household staff are not usually allowed to enter. Blackout shades cover the windows. Martin could not be revived. She was lying on top of the sheets on the left side of the bed, dressed in a blue tank top, gray spandex leggings, a black sweat jacket, and one black sock on her left foot. A white sock was nearby. She wore a silver-and-diamond Breitling watch on her left wrist, which had stopped at 5:35:08. The police noted three empty prescription drug bottles with Martin's name on the labels. They also found a straw with a white residue—later identified as cocaine—under the mattress and another in Martin's jacket pocket.

Busch has spoken publicly only once since Martin's death. In a Jan. 4, 2011, interview with the gossip columnist at the *St. Louis Post-Dispatch*, he said that the sale of Anheuser-Busch, just 18 months after he had been named CEO, sent him spiraling into a debilitating depression. He confirmed that he was in rehab for that and "other issues" in early 2010. He also professed his love for Martin. "You know, I'm this notorious bachelor who always wanted someone on the side, but I didn't with Adrienne." He added that he was friends with Martin's ex-husband, Kevin, and was close to their son. "I was falling in love with the kid. ... I've never spent much time around kids that age before. They don't care who you are or what you have. They just accept you the way you are."

Busch stopped cooperating with the police soon after. The St. Louis County prosecuting attorney, Robert McCullough, called Adrienne Martin's death an accidental overdose and in a Feb. 10 press conference said he would not press criminal charges against Busch, adding: "The investigation as to where the drugs came from is at a dead end."

The death of Adrienne Martin is the latest twist in a saga that has transfixed St. Louis. The Busches and their beer company had survived Prohibition, labor strikes, and price wars, growing to operate 12 breweries around the country, producing 128 million barrels of beer in 2007 and taking in nearly \$17 billion in revenue. The red, white, and blue Budweiser can is practically synonymous with America itself. But at a crucial time, the company failed to adapt to a changing market, leaving it weakened and vulnerable to a foreign takeover. And it was August Busch IV, the last member of the family to lead the brewery, who was there when it all came apart. Martin's overdose represented not just the darkest moment in Busch's turbulent life. It also signaled the unraveling of one of America's most storied families, their business empire, and the city their money had helped build. Lawyers for Busch declined to make him available for comment.

While prosecutors did not file charges against Busch, his legal woes are far from over. Many questions about what transpired at his home this past December remain unanswered. Police reports reflect that Busch himself gave conflicting accounts. His father, August Busch III, had helped him out of other messes, but that was back when the Busch family had a company to protect. Now, August Busch IV's troubles are entirely his own.

Anheuser-Busch has long exerted a hold on the imagination of the people of St. Louis. When someone says The Brewery, everyone knows they're talking about Anheuser-Busch. The red-brick Brew House on the company's 100-acre campus at the south end of town is a National Historic Landmark. A 600-pound brass chandelier from the 1904 World's Fair hangs from the ceiling of the stables housing the Clydesdale horses featured in the beer ads. The company philosophy famously was: "Spend money to make money and make friends."

Even those who didn't work at the brewery were proud of its success. "The city's emotional attachment to the company has always transcended its economic impact," says Tom Schlaflly, an attorney, fourth-generation St. Louisan, and co-founder of the St. Louis Brewery. "Anheuser-Busch gave St. Louis status in the world."

The quarreling, lordly, and occasionally scandalous Busch family provided St. Louis with its own celebrity dynasty. Adolphus Busch, August IV's great-great-grandfather, joined his father-in-law Eberhard Anheuser in the business in 1864, shortly after Anheuser had bought a brewery out of bankruptcy. In 1876 they introduced Budweiser. Adolphus, who took over in 1880 after Anheuser's death, was the first to use pasteurization to keep beer fresh, the first to use refrigerated railroad cars, and the first to bottle beer on a large scale, all of which helped make Budweiser America's first national beer. He lived in a Victorian mansion right next to the brewery; a cannon blast would announce his return from a long trip. To celebrate his 50th wedding anniversary in 1911, he held a party for 13,000 people at the St. Louis Coliseum and gave each of his nine children one million dollars to build a home, according to *Under the*



Influence: The Unauthorized Story of the Anheuser-Busch Dynasty by Peter Hernon and Terry Ganey.

Almost 70 years later, the fourth-generation Busch to run the company, August III, took it public, so he could expand its brewing operations beyond St. Louis. He would go on to build 11 other breweries and support one of the biggest advertising budgets in the country. By the 1990s, one of every two beers sold in the U.S. was made by Anheuser-Busch.

As the company grew, the Busch family's stake shrank; the Busch men had a tendency to marry often, and not all their wives and kids held on to the stock they inherited. But even when the Busches controlled only 4 percent of the company, they were treated as if they owned the place. The company, and the city, were their kingdom, and the Busches put their name on the baseball stadium (they once owned the St. Louis Cardinals) and the School of Law at Washington University. Grant's Farm, a 280-acre zoo and beer garden on the ancestral Busch estate, has been open to the public since 1954.

Succession at Anheuser-Busch was marked by struggle and rancor. August III told his father, who went by the nickname Gussie, to step down as chief executive in the early 1970s, ostensibly because family matters were distracting him. Gussie tried to sell Anheuser-Busch to R.J. Reynolds instead, according to authors Hernon and Ganey, so August III ousted his father in a 1975 boardroom coup. He officially ran the brewery until 2002, when he turned 65. He and his father eventually reconciled, though bitterness lingered among the half-brothers and cousins over the way August III had dispatched the patriarch.

August III also has a complicated relationship with his own son. He divorced August IV's mother when August was 5, started another family, and spent little time with his eldest son except at the brewery. In 2002, August IV told *BusinessWeek*: "Take a walk through my house, and it looks like a father museum. Every picture on the wall is of my father, or me and my father—to the point where my mom comes over and says, 'Where are all my pictures?' But he has been extremely tough on me. Maybe you can call it tough love." Buddy Reisinger, who like August IV is a great-great-grandson of the founder, Adolphus Busch, says the Third encouraged sibling warfare. "He would say to August, 'You're never going to make it. You better watch your back.' He tortured that kid. There's carrot and there's stick. The Fourth got all stick." A lawyer for August III did not respond to requests for comment.

At the same time, because August IV was the eldest son and presumed heir, no effort was spared when he got into trouble. As a student at the University of Arizona, he crashed his Corvette, killing a 22-year-old bartender named Michele Frederick who was in the passenger seat. His father hired the top lawyers in St. Louis and Tucson, as well as a team of private investigators and experts, to extricate him. Police had arrived at August IV's townhouse hours after the accident and found him in bed, dazed and covered in dried blood. According to police interviews cited in *Under the Influence*, Busch first told the



The Girlfriend

Martin helped August IV cope with his despair after InBev bought the company



Cursed Castle
The 6,300 sq. ft.
Huntleigh (Mo.)
mansion where
August IV lives alone

police that he and Frederick had been at Dirtbag's, a bar popular with students, and had been drinking. Soon after that, though, he claimed amnesia and wouldn't answer further questions. After an eight-month investigation, the authorities declined to press charges.

Busch left Arizona to attend the Jesuit-run Saint Louis University, where, in 1985, he nearly rammed into an unmarked police car filled with narcotics detectives while driving home from a topless bar. The police began to chase his speeding Mercedes, thinking he was a drug dealer. Eventually one of the officers shot out a tire on the Mercedes. When they found out who was behind the wheel, they changed the tire. Nonetheless, they arrested Busch on

assault charges. August IV said he thought the police were trying to kidnap him, and a jury acquitted him.

August IV's scrapes with the law did not halt his inevitable ascent to the top of the family business. After earning an MBA at Saint Louis University, he started as an assistant to the brewmaster at Anheuser-Busch. In the mid-1990s he was put in charge of its marketing department. During the next several years the company produced some of its most memorable commercials, including campaigns featuring the Budweiser bullfrogs and the phrase "Wassup?"

Despite his corporate role, Busch maintained a reputation as a party boy. He hosted bacchanals at his mansion, which had beer taps in the kitchen and a giant hot tub, according to several people who have been there. On business trips, he was often accompanied by young women. When asked about this by *BusinessWeek* in 2002, he replied that his house was much like those of other executives and that he paid the expenses of any guests who traveled with him. As Benj Steinman, the publisher of *Beverage Business Insights*, an industry newsletter, puts it: "August was deeply committed to the business but was also out playing a lot."

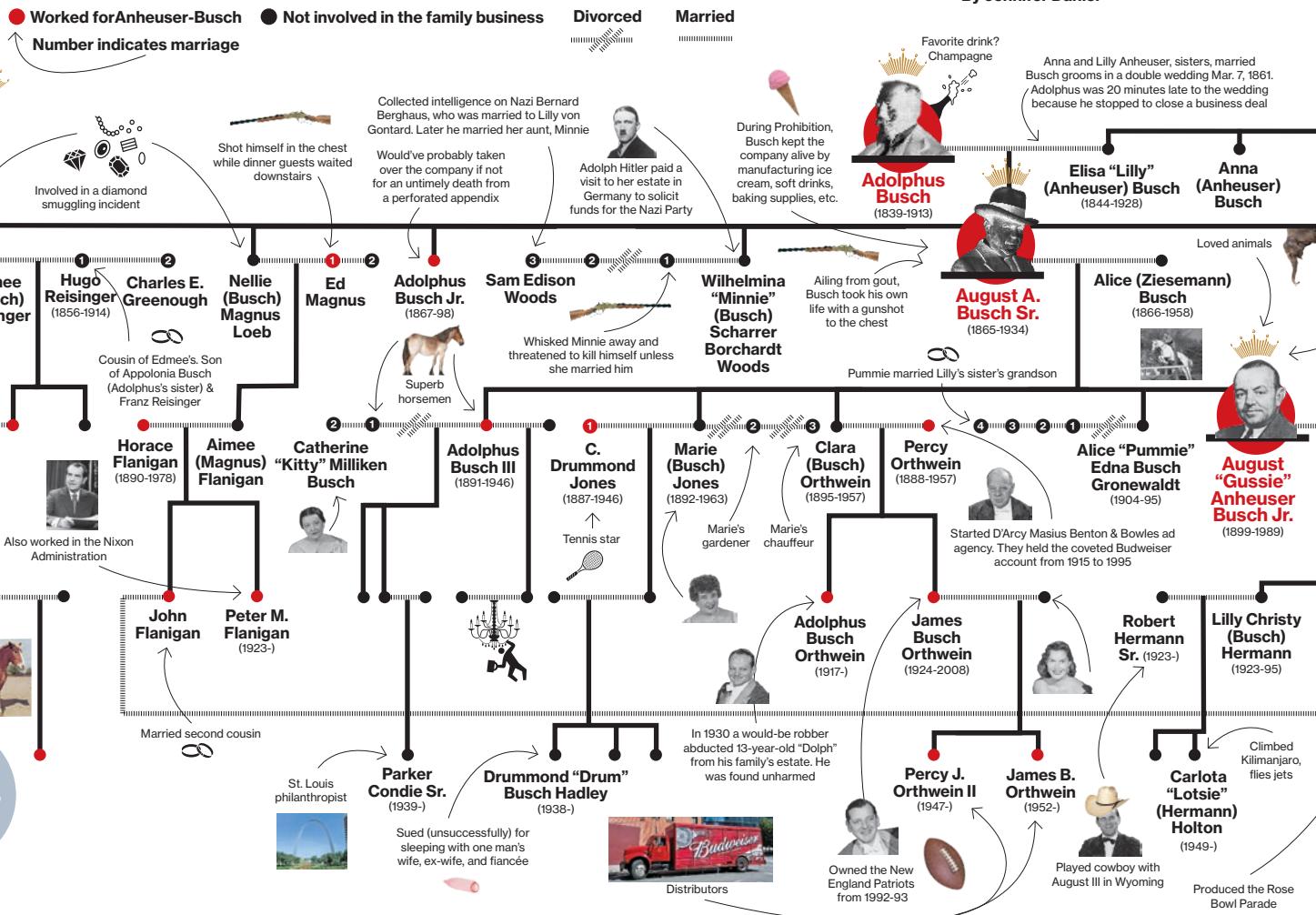
In 2002, August III broke with tradition and named a trusted aide to be a caretaker chief executive of Anheuser-Busch until August IV was deemed to be ready for the role. For the next several years he ran the most vital part of the company, the domestic beer operations. And, just as important to his father, he got married. His bride was a 25-year-old ingénue named Kathryn Thatcher who had grown up in a small town in Vermont and moved to St. Louis after college. August IV was 41. Just before the wedding, he sent a video message to colleagues attending a Beer Institute meeting in Vail: "Sorry I couldn't be with you, but I'm getting married. I've got a lot of wedding activities I have to attend to. Including a bachelor party—an event I've been preparing for all my life." Later that year, August IV finally got the job he had been preparing for all his life, too.

Even though the son was now CEO, August III remained on the board of directors and continued to land his helicopter on the roof of headquarters and go to his office. Sometimes called Three Sticks by employees, stubborn, brusque, and a bit of a bully, August III was generally considered an extraordinary businessman. Anheuser-Busch's U.S. market share increased

"It had elements of a Greek tragedy: a very controlling father and a son who probably didn't have the skill set to be CEO"

Guns, Clydesdales, and a Kidnapping: One Big Happy Family

By Jennifer Daniel



68

from 23 percent to more than 50 percent during the 27 years August III ran the company. “People used to ask if the Fourth could handle it,” says Reisinger, who worked at the company for 12 years. “The Third was not replaceable by any one person. Period. You’d need four or five guys to do what that guy did. ... From big ideas to little ones, there was one decider.”

Yet August IV did have one quality his father did not: charisma. He was good-looking and good-humored, and for many in the industry he was a welcome contrast to his dad. Among the first things August IV did was try to reduce some of the company’s most extravagant spending. He canceled an order for a new \$40 million Dassault Falcon 7X jet, which his father was eagerly awaiting, and he closed the executive dining room, where his father used to eat breakfast every morning. In a speech accepting the 2006 Presidential Award from the Webster University George Herbert Walker School of Business and Technology in St. Louis, Busch said: “Mistakes will happen, mistakes are inevitable, but in failure there is learning and in learning there is experience. That’s how you improve and grow.”

More important, the Fourth seemed to understand that American tastes were changing—people were drinking more wine, hard liquor, and craft beer—and that Anheuser-Busch needed to change, too. For all his father’s obvious successes, the company was vulnerable. “[August III] resisted an aggressive international strategy because he didn’t know how to micromanage the rest of the world from One Busch Place,” says Bill Finnie, a former Anheuser-Busch executive who teaches at Washington University’s Olin Business School. In 2005 the company’s net income fell

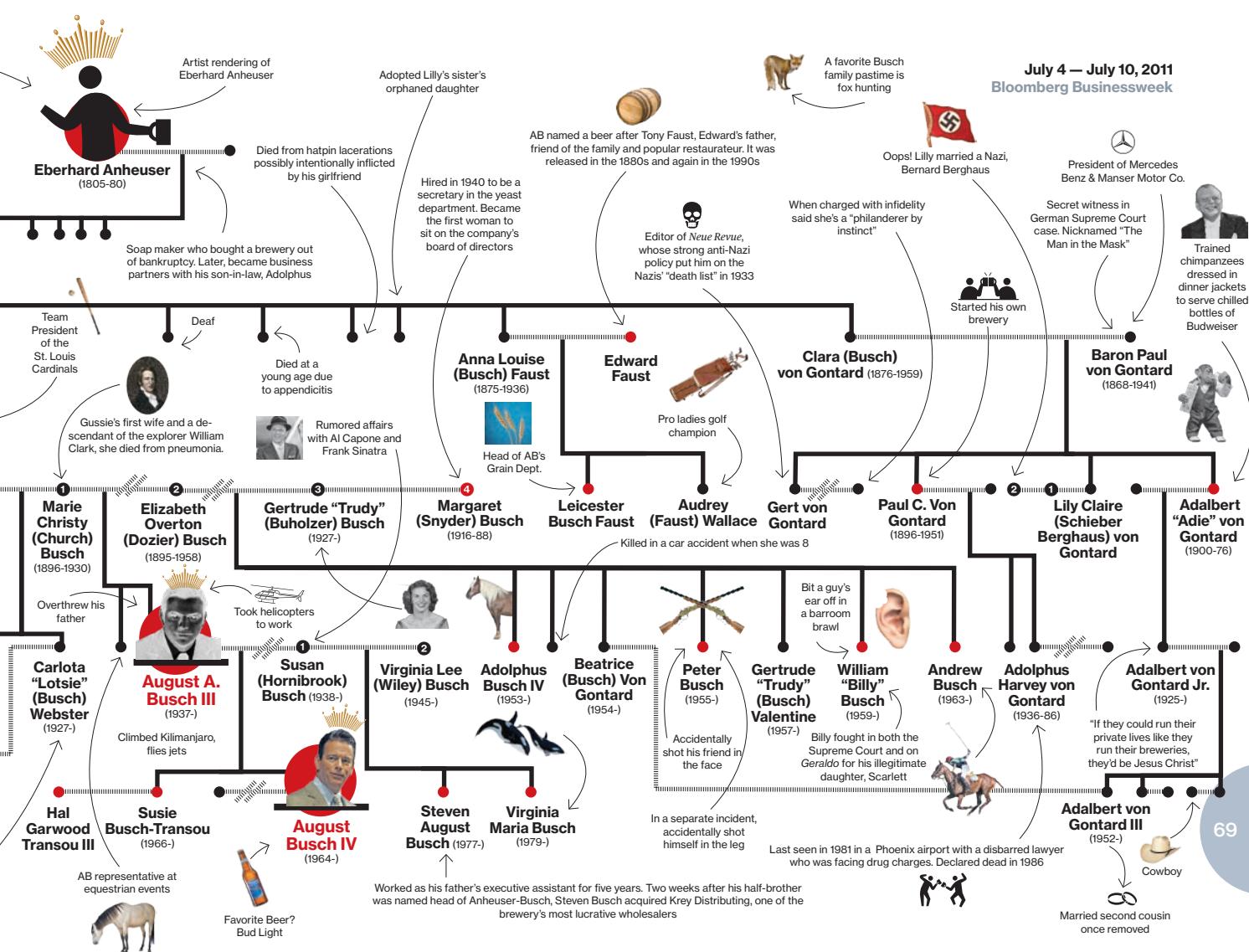
17.9 percent, to \$1.8 billion, the first drop in a decade. By 2006, beer sales had fallen to 50.7 percent of the total market for alcohol in the U.S., from 55.5 percent in 2000, according to the trade publication *Beverage World*. Then in 2007, Anheuser-Busch’s two main competitors, SABMiller and Molson Coors, merged, making the situation for Anheuser-Busch even more precarious.

The pressure mounted on August IV. He had made some small deals, such as an \$82 million acquisition of Rolling Rock beer from InBev and a deal to distribute Monster Energy drink. But a liquor he developed called Jekyll and Hyde never gained traction in the market, and a fruit-flavored malt beverage called Spykes was discontinued amid criticism that it encouraged under-age drinking.

Once he became CEO, “he really didn’t have time to do much before events overtook him,” says Trevor Stirling, an analyst at Sanford C. Bernstein. Busch explored international partnerships and acquisitions, including a deal with Diageo, which sells Johnnie Walker, Smirnoff, and dozens of other liquors. But in almost every case, the Third opposed the moves, and the board acquiesced, according to *Dethroning the King: The Hostile Takeover of Anheuser-Busch, an American Icon* by Julie MacIntosh.

“It had elements of a Greek tragedy: a very controlling father and a son who probably would have been a good head of marketing but didn’t have the skill set to be CEO,” says Stirling. Amid growing tension with his father and the company’s worsening prospects, August IV began to disappear for long stretches.

That spring, rumors of a possible bid for Anheuser-Busch by InBev, with which it had a distribution agreement, intensified.



Busch was horrified. He told the company's wholesale distributors at their annual conference in April that a sale of Anheuser-Busch would not happen "on my watch." In May, Busch spoke to Anheuser-Busch distributors at a national beer wholesalers' meeting in Washington. Within a few minutes it was obvious something was not right, says Harry Schuhmacher, publisher of *Business Beer Daily*. On stage, Busch slurred his words and dropped his microphone. Executives said he had taken strong cold medication.

A month later, InBev made an unsolicited bid of \$65 a share. The stock had been trading in the high fifties, and Busch was put into the most difficult situation of his career. "Certainly during the negotiations and afterward people thought he seemed off-kilter," says MacIntosh. "He didn't seem as present as people hoped. Sometimes in board meetings he didn't speak at all."

InBev soon had two surprising supporters among the Busch family: August III and his half-brother, Adolphus, who had been angered by the Third's power grab some 35 years earlier. William J. Vollmar, who retired in February 2008 as Anheuser-Busch's corporate archivist, told the *St. Louis Post-Dispatch* in July of that year that he believed Adolphus's support for the InBev deal stemmed from their decades-old feud. "I don't know if vindictiveness is the right word, but it's something close to that," he said. "Adolphus IV didn't feel that August III treated their father right. ... So now, in effect, he's trying to destroy the family legacy."

Speaking by phone during a brief stop in St. Louis, Adolphus said he was only doing what was best for the company's shareholders. "When the deal came down in 2008, Warren Buffett

owned more stock than the family did," he says. "Nothing lasts forever, especially in the business world."

August III's apparent enthusiasm about selling the company was more puzzling. He had devoted his entire working life to ensuring Anheuser-Busch's independence, even from those in the industry he probably should have cooperated with more closely. "It's hard to imagine him giving up the company," says Reisinger. "But it would appear that he saw the train wreck coming and got out of the way."

When InBev increased its all-cash offer to \$70 a share, the board immediately accepted. August IV earned \$100 million from the sale and, like his predecessors, was given a generous consulting contract—\$120,000 a month through 2013, according to company filings. He also kept his seat on the board of directors. Then, once again, he disappeared. He didn't attend any industry events, he wasn't seen at One Busch Place. In 2010 he participated in only one of nine Anheuser-Busch InBev board meetings.

"The last time I saw him was the day the company officially became ABI. It was in a Holiday Inn in Secaucus [N.J.]," says Steinman, a longtime industry observer. "It was a legacy of generations, and even without other demons, that's a very big burden on his soul." Finnie, the former executive, says: "Gussie was a great leader in his day. The Third was incredible. The Fourth should never have been CEO. That was his tragedy."

As the company was slipping from his hands, Busch met a fun-loving brunette named Adrienne Martin at a local nightclub. In the January interview with the *St. Louis Post-*



The Decider

August Busch III,
here in New York,
was nicknamed
Three Sticks

Dispatch, Busch said Martin had helped him deal with the despair he felt after the sale of Anheuser-Busch. "I would have given up my life to save the company," he said. "But I couldn't do anything."

Around 1 p.m. on Dec. 19, a call was logged by a local 911 operator with Michael Jung, a member of Busch's household staff.

Emergency operator: O.K., what's the problem?

Jung: This girl's just not waking up.

Operator: Is she breathing?

Jung: We don't know. It's dark back there. I'm gonna get a light and try and see.

Operator: O.K., I'll get them going right away.

Fourteen minutes later, at 1:26 p.m., emergency responders pronounced Martin dead. Busch was in the kitchen with Art Margulis, the leading criminal defense lawyer in St. Louis. "Busch was in shock," says Margulis.

The police noted that among the items on the right side of the bed, where Busch says he slept, were a laptop computer, a pair of scissors, a flashlight, and an electronics magazine. On the nightstand were several Gatorade bottles, a glass of red wine, and two plastic cups of what looked like melted chocolate shakes.

In the attached bathroom, the counters were cluttered with electronic devices, plugs, cords, and walkie-talkies. A loaded shotgun rested behind the door of a smaller room with a toilet. A Glock pistol with an extended magazine hung on a hook next to the toilet paper.

When the toxicology report was completed in February, it showed that Martin had taken lethal doses of the prescription painkiller oxycodone (better known as OxyContin) five or six hours before her death, and cocaine during her last hour. Neither she nor Busch had a prescription for oxycodone, according to police. An autopsy revealed a six-millimeter hole in Martin's nasal septum, which the medical examiner said suggests she had been using cocaine regularly for several months before she died.

Martin was cremated five days after her death at her mother's behest. Busch did not attend her memorial service on Dec. 30.

Although investigators cleared Busch of any suspicion of wrongdoing, there are several mysteries about the case. According to the police report, law enforcement did not seek a warrant to search the rest of the house. The fact that Busch gave three different accounts of the event did not appear to raise alarms. News of Martin's death in Busch's mansion wasn't made public by the police until four days after the fact, and then only after a local reporter heard about it. "Police are more careful with people who have more resources," says Richard Weinblatt, a law enforcement consultant. Local police chief Thomas Becker did not return phone calls seeking comment.

The role of Adrienne's ex-husband, Kevin, in the drama remains ambiguous. In the police report, Kevin said he and Busch "were friendly, almost like brothers." He added that in their conversations after Adrienne's death, Busch said "he thinks God is punishing him for what happened to the girl in Arizona." Until recently, Kevin's Facebook page featured a picture of himself, his son, and Busch in the cockpit of a helicopter.

In April, Kevin filed a civil wrongful death suit against Busch, claiming Adrienne's death was a result of his "carelessness and negligence." Kevin sought unspecified damages for his son. Busch quickly agreed to a \$1.5 million settlement. Busch's lawyer in the case, Maurice Graham, said in his office in downtown St. Louis: "All of the investigators have concluded this was a tragic accident and no one was at fault. Mr. Busch made this decision because of his relationship with Adrienne and concern for her son. He wanted to resolve it legally so he can put this behind them."

But before the court could approve the settlement, Adrienne's parents, who are divorced, each petitioned to be included in the suit, accusing Busch of acting with "evil motive" and of providing drugs to their unknowing daughter. They also claimed that Kevin is too friendly with Busch to push for a more substantial settlement. If they're successful, they could force Busch to be deposed. They would also have to be included in any negotiations and would have rights to part of the settlement. After an initial ruling against them, they appealed the decision. The Missouri Court of Appeals, Eastern District, will determine how to proceed, perhaps this summer.

Meanwhile, the company that Busch relinquished has been remade. Anheuser-Busch InBev's CEO, Carlos Brito, has followed through on the one plan August IV and his team had crafted: It was called Blue Ocean and laid out how to cut about \$1 billion of company expenses. When Brito finished with that, he cut another billion. Approximately 1,400 people, about 6 percent of the U.S. workforce, were laid off in late 2008. The executive floor, where only three people used to sit, has been turned into open office space. People who used to fly on corporate jets are now going commercial. Some executives had to turn in their BlackBerrys. In all, Brito sold \$7 billion worth of assets, including the Busch Gardens amusement parks. Anheuser-Busch InBev's sales volume declined 3.1 percent in North America in 2010, while net income rose 14 percent, to \$3.9 billion.

"A paternalistic, slightly complacent culture existed under the Busches," says Stirling. "That's been replaced by an incredibly hard-driving culture from Brazil. Employees join InBev knowing that it has created scores of millionaires because of its stock. It's almost as if the two companies have two different ideas about what the purpose of life is."

At least one family member believes the company's new owners have saved it. "What happened made a lot of people a lot of money," says Peter Busch about the sale. He's another half-brother of August III's and owns a lucrative beer distributorship in Florida. "And it put Bud into a global position, which is where it needed to be, with or without a Busch in charge."

In March, just before Kevin Martin's suit against him was made public, Busch decided not to seek another term on the board of directors of Anheuser-Busch InBev for "personal and health reasons," according to a company announcement. When asked if Busch is seeking treatment for depression or substance abuse, his lawyer Graham pauses for a long time. "I think Mr. Busch is working hard and staying busy to lead a productive and fulfilling life. He still has important responsibilities from a business standpoint, and he is attending to those." Busch's other lawyer, Margulis, is a little more direct: "I think he's going to be fine. However, I believe it would be in the best interests of everyone involved to resolve this matter and move on."

MacIntosh, the author of *Dethroning the King*, says, "Ever since the Fourth has been young, he's been so hungry for his father's affection and approval. The more it was withheld, the harder he tried. And the more despondent he became. The Third has always been the ultimate arbiter of the Fourth's perceived success. The Fourth made that choice. He clung to his father even as his father pushed him away. You could feel bad for him. You could also say he could have been stronger."

August IV hasn't been seen publicly in several months. The wrought iron gate in front of his home remains locked, and no one answers the security intercom. "There is a sense of wounding," says Schlafly, the St. Louis Brewery co-founder, of the saga. "People feel betrayed, but it's hard to find out who the real villains are." **B**