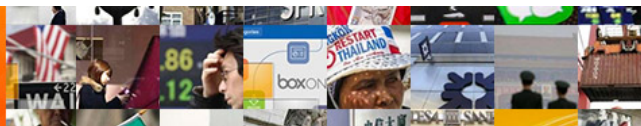




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# Hedge fund seeks higher price for Caribou after Benckiser deal

BY HERBERT LASH

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Dec 19 (Reuters) - A hedge fund with a 4 percent stake in Caribou Coffee Co on Wednesday urged the company to pursue a better deal after it agreed to be sold to Germany's Benckiser group for \$340 million, saying it is easily worth double that price.

Accretive Capital Partners LLC of Madison, Connecticut, said in a letter to the company's board that it was dismayed by the price of

\$16 per share that Caribou announced on Monday. Reuters obtained a copy of Accretive's letter

"We are baffled by the board's and management's decision to sell the company now and to do so without the benefit of engaging a qualified investment banker who would market the company and manage an efficient auction process," Rick Fearon, Accretive's managing partner, said in the letter.

Fearon said in an interview with Reuters other shareholders agreed with his position that Caribou was underpriced, but he was not at liberty to name them.

**GAMCO Investors Inc** and affiliates of the investment firm run by billionaire investor Mario Gabelli took a 2.53 percent stake in Caribou this week, buying half their shares at about \$16 each, according to a regulatory filing on Wednesday.

Caribou closed at \$16.05 on Wednesday, after climbing as high as \$16.64 on news of the sale on Monday. The stock closed at \$12.32 last Friday, before the announcement.

Plans to boost average store sales by two-thirds and to accelerate new store openings are imminent growth drivers at Caribou, yet management opted to sell Caribou at a price based on past sales, Fearon said.

"One can only guess what kind of incentives Benckiser offered to our management team to consummate this deal," he said.

Because it was late on Wednesday, Caribou officials had not responded to a Reuters request for comment on Accretive's letter.

Caribou agreed to be sold at half the value that Benckiser paid for Peet's Coffee & Tea two months ago, said Fearon, who has held Caribou shares for five years.

Caribou was sold at 0.9 times annual sales and at less than 11 times trailing operating income, compared with Peet's purchase price of 2.4 times sales and 21 times trailing **earnings** before interest, taxes, depreciation and amortization, he said.

"As measured by these real-time metrics, Caribou Coffee is worth \$30-\$35 per share, especially considering the control premium a strategic buyer must pay to enjoy operational synergies," Fearon said in the letter.

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