

MOLSON COORS BREWING CO
Form 10-Q/A
October 28, 2005

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 2
on
FORM 10-Q/A**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Quarterly period ended March 27, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the transition period from _____ to _____
Commission File Number: 1-14829**

MOLSON COORS BREWING COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

84-0178360

(I.R.S. Employer Identification No.)

**1225 17th Street, Denver, Colorado
1555 Notre Dame Street East, Montréal, Québec, Canada**
(Address of principal executive offices)

**80202
H2L 2R5**
(Zip Code)

**303-279-6565 (Colorado)
514-521-1786 (Québec)**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of March 27, 2005:

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Class A Common Stock 1,557,530 shares

Class B Common Stock 55,230,633 shares

Exchangeable shares:

As of March 27, 2005, the following numbers of exchangeable shares were outstanding:

Class A exchangeable shares: 2,038,000

Class B exchangeable shares: 26,496,000

In addition, the registrant has outstanding one share of special Class A voting stock, through which the holders of Class A exchangeable shares and Class B exchangeable shares of Coors Canada Inc. (a subsidiary of the registrant known as Molson Coors Exchangeco), respectively, may exercise their voting rights with respect to the registrant. The special Class A and Class B voting stock are entitled to one vote for each of the Class A and Class B exchangeable shares, respectively, excluding shares held by the registrant or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and class B common stock are entitled to vote. The trustee holder of the special class A voting stock and the special Class B voting stock has the right to cast a number of votes equal to the number of then outstanding Class A exchangeable shares and Class B exchangeable shares, respectively.

Explanatory Note

The purpose of this amendment on Form 10-Q/A to the Quarterly Report on Form 10-Q of Molson Coors Brewing Company (the "Company") for the quarterly period ended March 27, 2005 is to clarify in Item 4. Controls and Procedures, that the disclosure controls and procedures with respect to accounting for income taxes, for which the Company previously disclosed a material weakness, were ineffective as of March 27, 2005.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In conjunction with the filing of this amended Form 10-Q, as a result of the restatement described in Note 1 to the Condensed Consolidated Financial Statements, the Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of March 27, 2005, and, based on this re-evaluation, have determined that a material control weakness in internal control over financial reporting existed at the end of the first quarter 2005 with respect to accounting for income taxes and therefore concluded that the disclosure controls and procedures were ineffective with respect to accounting for income taxes. Other disclosure controls and procedures were determined to be effective as of March 27, 2005.

Accounting for Income Taxes

In the course of its review of income taxes during the second quarter of 2005, management determined that the Company understated its income tax benefit in the first quarter of 2005 by a net \$12.4 million (see Note 1). As a result of the circumstances involved, we have concluded that there was a material weakness in internal control over financial reporting at the end of the first quarter.

In reaching this conclusion, management noted that during the first quarter, tax staff was directed toward developing and implementing the tax structure for the merger with Molson. This resulted in insufficient review of tax provision calculations. Together with inadequate systems to determine the provision for income taxes, the income tax benefit for the quarter was materially understated. In addition to amending our Form 10-Q for the first quarter of 2005 to correct the initial recording of a U.S. deferred tax asset as part of the purchase accounting for our U.K. acquisition, we have corrected these errors.

We are taking the following steps to remediate this material weakness:

We have hired additional experienced tax staff including a new vice president of tax and two additional senior level tax managers;

We are implementing additional procedures to ensure adequate levels of review in this area; and

We will be implementing new software that will automate and improve controls in this activity.

We intend to continue to monitor and upgrade our internal controls as necessary and appropriate for our business.

Changes in internal control over financial reporting

The merger of Molson and Coors occurred after the fiscal year 2004 and therefore our Molson Canada and Kaiser Brazil business units will complete requirements under Internal Control over Financial Reporting Section 404 of the Sarbanes-Oxley Act of 2002 as of fiscal year end 2006. This effort is in progress and we are not aware of any material weaknesses in internal control over financial reporting. There were no other changes in internal controls in the first quarter that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The certifications attached as Exhibits 31 and 32 hereto should be read in conjunction with the disclosures set forth herein.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

The following are filed as a part of this Report on Form 10-Q/A:

- 3.1 Restated Certificate of Incorporation of Molson Coors Brewing Company (incorporated by reference to Annex G of the Company's Joint Proxy Statement/Management Information Circular dated December 9, 2004 (the "Proxy Statement") on Schedule 14A filed with the Securities and Exchange Commission ("SEC")).
- 3.2 Amended and Restated Bylaws of Molson Coors Brewing Company (incorporated by reference to Annex H of the Proxy Statement).
- 10.1 Credit Agreement, dated February 17, 2005, among Molson Coors Brewing Company, Coors Brewing Company, Molson Canada 2005, Molson Inc. and Molson Coors Capital Finance ULC; the Lenders party thereto; JPMorgan Chase Bank, N.A., as Administrative Agent; and JPMorganChase Bank, N.A., Toronto Branch, as Canadian Administrative Agent (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K dated February 23, 2005 filed with the SEC).
- 10.2 Subsidiary Guarantee Agreement, dated as of February 17, 2005, among Molson Coors Brewing Company, Coors Brewing Company, Molson Canada 2005, Molson Inc. and Molson Coors Capital Finance ULC, each subsidiary of the Company listed on Schedule I thereto and JPMorgan Chase Bank, N.A., as Administrative Agent, on behalf of the Lenders under the Credit Agreement referred to in Exhibit 10.1 above (incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K dated February 23, 2005 filed with the SEC).
- 10.3 Credit Agreement, dated March 2, 2005, among Molson Coors Brewing Company, Coors Brewing Company, Molson Canada 2005, Molson Inc., Molson Coors Canada Inc. and Coors Brewers Limited; the Lenders party thereto; Wachovia Bank, National Association, as Administrative Agent, Issuing Bank and Swingline Lender; and Bank of Montreal, as Canadian Administrative Agent, Issuing Bank and Swingline Lender (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K dated May 7, 2005 filed with the SEC).
- 10.4 Subsidiary Guarantee Agreement, dated as of March 2, 2005, among Molson Coors Brewing Company, Coors Brewing Company, Molson Canada 2005, Molson Inc. Molson Coors Canada Inc. and Coors Brewers Limited, each subsidiary of the Company listed on Schedule I thereto and Wachovia Bank, National Association, as Administrative Agent, on behalf of the Lenders under the Credit Agreement referred to above (incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K dated May 7, 2005 filed with the SEC).
- 10.5 Amendment No. 1, dated March 1, 2005, to the Credit Agreement dated as of February 17, 2005 among, Molson Coors Brewing Company, Coors Brewing Company, Molson Canada 2005, Molson Inc., and Molson Coors Capital Finance ULC; the Lenders party thereto; JPMorgan Chase Bank, N.A., as Administrative Agent; and JPMorganChase Bank, N.A., Toronto Branch, as Canadian Administrative Agent (incorporated by reference to Exhibit 99.3 of the Company's Current Report on Form 8-K dated May 7, 2005 filed with the SEC).

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- 10.6 Registration Rights Agreement, dated as of February 9, 2005, among Adolph Coors Company, Pentland Securities (1981) Inc., 4280661 Canada Inc., Nooya Investments Ltd., Lincolnshire Holdings Limited, 4198832 Canada Inc., BAX Investments Limited, 6339522 Canada Inc., Barleycorn Investments Ltd., DJS Holdings Ltd., 6339549 Canada Inc., Hoopoe Holdings Ltd., 6339603 Canada Inc., and The Adolph Coors, Jr. Trust dated September 12, 1969 (incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K dated February 15, 2005 filed with the SEC).
 - 10.7 Form of Executive Continuity and Protection Program Letter Agreement (incorporated by reference to Exhibit 10.7 to Form 10-Q filed May 11, 2005).*
 - 10.8 2005 Molson Coors Incentive Plan (incorporated by reference to Exhibit 10.8 to Form 10-Q filed May 11, 2005).*
 - 31.1 Section 302 Certification of Chief Executive Officer.
 - 31.2 Section 302 Certification of Chief Financial Officer.
 - 32 Written Statement of Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
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*

Indicates a management contract.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOLSON COORS BREWING COMPANY

By: /s/ MARTIN L. MILLER

Martin L. Miller
Vice President and Global Controller
(Chief Accounting Officer)
October 27, 2005

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Exhibit Index

Exhibit Number	Document Description
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