



LETTER OF COMMENT NO. 36

October 15, 2007

Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP APB 14-a

Dear Mr. Golden:

Molson Coors Brewing Company appreciates the opportunity to respond to the Financial Accounting Standards Board regarding its proposed FASB Staff Position APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants (FSP APB 14-a). In June of 2007, Molson Coors Brewing Company, one of the largest breweries in the world, issued convertible debt instruments, specifically Instruments C, and the accounting for such instruments might be significantly impacted by the proposed FSP.

Molson Coors understands and appreciates the Board's continuous efforts to address and revise, as necessary, the accounting standards where divergence in practice exists, economic substance of a transaction is diffused by complex and form-driven accounting rules, and where transparency of a transaction to the investing public is lost in the existing concepts and rules.

Our comments regarding the proposed FSP APB 14-a concentrate on the following primary areas:

- 1) Conceptual issues with the proposed method of allocation of the convertible debt issuance proceeds between debt and equity, including their impacts on the earnings per share calculations.
- 2) Alternative solutions to the proposed accounting and implementation methods.

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We believe, the proposed accounting treatment does not accomplish the long-term and on-going goals of the Board: to converge with the International Accounting Standards (IAS) and to address similar instruments through the Liabilities and Equity Project. We also believe that the interim and temporary accounting solution will be confusing to investors and other users of the financial statements in the long-term and provide unnecessary compliance costs to issuers today.

In addition, presently there is no confusion, inconsistency or divergence in practice for these instruments. Although the rules applicable to these instruments are complex and contained within multiple sources of authoritative guidance, the requirements of the standards are high and often difficult to meet. Once met, however, the accounting for these instruments is straight-forward and applied consistently across similar instruments. The proposed treatment would not change or modify the requirement standards, especially equity treatment pursuant to the EITF 00-19. We believe, the proposed accounting treatment would result in more subjectivity, variability, and more inconsistency in accounting for these instruments. The aforementioned rule-driven accounting treatment would be effectively replaced by a different rule-driven treatment without achieving the promoted and intended principle-driven treatment.

Finally, we do understand that these transactions and instruments have been criticized as the current accounting may not reflect the economics and the underlying costs of these instruments in the financial statements. We do not believe that the proposed accounting treatment to separate and value the cost of debt achieves the desired or intended objective to account for the economics of the transaction. Specifically, the proposed debt valuation model indicates that there is no difference between the convertible debt and debt-only instruments and the impact on these instruments on the income statement would be the same. We believe this premise is inaccurate. The proposed accounting treatment ignores the efficient market concept. These instruments do represent different risks and rewards to debt and equity holders and to an issuer. To separate and value the convertible debt component as if it was a separate or stand-alone instrument does not reflect the market participant view of values associated with these instruments. These instruments bear lower-than-market interest coupon rates that, presumably, would not attract investors, regardless of how they will be accounted for and how much interest expense is recognized in the issuer's financial statements. These instruments, however, do have inherent value in the form of an equity conversion feature to which market participants and investors assign risks and rewards and upon which the entire transaction is valued. As such, it should be the equity conversion feature that drives the economics and value of the entire transaction. We note, therefore, that in order to better reflect the value of these

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instruments, the equity component of the convertible debt transaction should be measured instead of the debt component that the Exposure Draft proposes.

We acknowledge that valuing the equity component of the convertible debt instrument, while more conceptually and principally appropriate, is more cumbersome and practically difficult than the proposed debt valuation using a separate debt instrument model. The value of such equity instrument would be best reflected via a market conditions - based valuation model that includes volatility, restrictions, probabilities, and other pertinent factors (such as a Monte-Carlo simulation model). Experiences with equity-based compensation standards indicate, however, that these models can be complex and historical data either difficult to obtain, non-existent, or not reliable. The result is that financial statements become less clear and less consistent, making their interpretations by current or prospective investors more difficult, not more transparent. In addition, such an approach would pose practical implementation challenges, especially if the effective date of the first fiscal year beginning after December 15, 2007, as proposed in the Exposure Draft, is maintained. The value of such equity consideration would be then subtracted from the total proceeds and the residual value would provide the carrying value of the debt component. For consistency with similar measurement and recognition treatment for share-based compensation costs, this value would be calculated at inception or convertible debt issuance date and recognized in the income statement as interest expense, increasing the carrying value of debt, over the contractual term of the convertible debt instrument. The initial measurement of the equity would remain in Additional Paid-In Capital until a modification event occurs, equity classification pursuant to the EITF Issue 00-19 is no longer met, and/or maturity of the debt convertible instrument.

The proposed FSP maintains the earnings per share calculation method consistent with the existing relevant standards. These standards, however, as applicable to the instruments subject to the accounting treatment in the proposed FSP would not reflect the economics of the transaction and, more importantly, result in more dilutive earnings per share than would normally be achieved under the terms of the standard terms of such transactions. Specifically, as the net income available to common shareholder is not adjusted for a non – cash interest expense in the proposed accounting treatment, it results in a lower numerator in the calculation and, consequently, lower earnings per share measure. During the periods the equity securities are dilutive, such securities are also included in the denominator of the earnings per share calculation, lowering the overall measure or results. Combination or "double counting" of these factors, lower net income available to common shareholders and higher dilutive shares outstanding, results in less favorable and less meaningful earnings per share measure than the current practice.



Since the earnings per share measure is commonly used within the investor and analyst community, the proposed accounting treatment would result in less comparability and more confusion with other issuers of debt, equity, or debt convertible instruments.

## Proposed alternative accounting treatments:

The following accounting or implementation methods provide alternative measurement and/or recognition methods to those proposed in the Exposure Draft and reflect the considerations noted above.

1. No change at this time.

Due to the fact that the proposed accounting treatment does not converge with International Accounting Standards, simplify the accounting treatment, or eliminate inconsistency in measurement or recognition for the instruments subject to this Exposure Draft, the current accounting treatment should continue and the topic should be included in the broader scope of the Liabilities and Equity Project or specific convergence with an IAS project.

- 2. No change to the existing measurement and recognition standards, but the disclosures could include "pro-forma" disclosures using the method prescribed in the proposed Exposure Draft for the value of debt as if the standalone method was applied at inception of the instrument and the impacts thereof on the income statement.

  For the reasons noted in point 1) above, no change to the existing accounting treatment is proposed. We are proposing that the footnote disclosures are included to present the measurement of such instruments using the method proposed in the Exposure Draft. Disclosures would also include the current monetary value of the equity conversion feature should an issuer choose to settle such conversion feature in cash. This alternative solution would provide interim treatment until the project is addressed through the comprehensive Liabilities and Equity Project noted above.
- 3. Measurement of the equity component at fair value and attributing the remaining portion to the debt component. The cost associated with the equity component would be recognized through interest expense over the term of the convertible debt instrument.
- 4. Proposed changes to the EPS calculation:

As discussed above, the earnings-per-share calculation for the instruments subject to this proposed FSP inherently "double counts" the interest and equity costs of convertible debt instrument diluting the calculation.

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We propose that the calculation is revised to eliminate the overcharge for the equity cost of the convertible debt instrument. That is, in periods in which equity securities are dilutive, or "in-the-money," the numerator in the calculation should exclude the additional non-cash interest cost. This adjustment should be made regardless of the attribution methodology. Under either the debt component or equity component valuation approach, interest expense recognized in addition to the coupon interest rate would be eliminated from the numerator and shares that would be issued in the conversion would be added to the denominator. The treasury method would be maintained for the dilutive shares calculation. In the periods the securities are not deemed to be dilutive or are "out-of-money", no adjustments would be necessary to the basic outstanding shares and basic earnings per share.

If you have any questions or wish to contact us regarding our comments, please do not hesitate to contact the undersigned.

Sincerely,

/s/ Timothy V. Wolf

/s/ Martin L. Miller

Tim Wolf Global Chief Financial Officer

Marty Miller
Vice President and Global Controller